No. 03 1146 FEB 5 - 2003

In The

Supreme Court of the United States

SKIPPY INCORPORATED,

Petitioner,

v.

LIPTON INVESTMENTS, INCORPORATED, *et al.*,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Petition for Writ of Certiorari

Mary Helen Sears
Counsel of Record
M. H. SEARS LAW FIRM
910 Seventeenth Street, NW
Suite 800
Washington, DC 20006
(202) 463-3892

Counsel for Petitioner

THE LEX GROUP ♦ 1108 East Main Street ♦ Suite 1400 ♦ Richmond, VA 23219
(804) 644-4419 ♦ (800) 856-4419 ♦ Fax: (804) 644-3660 ♦ www.thelexgroup.com

QUESTIONS PRESENTED

Petitioner Skippy, Inc., a Delaware corporation established in 1932 to hold and manage all of the assets of Percy Crosby, creator of the classic "Skippy" comic character, has been deprived of a hearing on the merits of whether Respondent Lipton's title in certain "Skippy" trademarks for peanut butter is fatally flawed due to the ruling in a 1933-1934 USPTO[1] opposition between Skippy, Inc. and a Lipton predecessor who was then seeking to register "Skippy" for peanut butter. In that opposition, the USPTO held in petitioner's favor based on its exclusive property right in its corporate name, Skippy, under §5b of the Trade-Mark Act of 1905 (App. 96) as interpreted by this Court in *American Steel Foundries, Inc. v. Robertson*, 269 US 372 (1926) and therefore refused to grant a trademark registration to Lipton's predecessor. The predecessor, at that time a small California-based company with limited sales, elected to defy the decision and invade plaintiff's property right by continuing to use "Skippy" on its peanut butter containers.

In 1947, after the Lanham Act became effective, the predecessor filed a new application in the USPTO to register "Skippy" for peanut butter, falsely alleging under oath that it believed itself to be the owner of the trademark by virtue of alleged use since 1933. The USPTO, which relies on and does not look behind such oaths as a matter of practice, and also does not review its prior decisions to check the veracity of such oaths,

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[1] "USPTO", as used herein encompasses the present United States Patent and Trademark Office and the same agency when its name was "United States Patent Office".

granted Registration 504,940 in 1948 and has subsequently granted further "Skippy" registrations spawned by that one.

In two of the proceedings below, the Court of Appeals for the Fourth Circuit affirmed, without hearing, the dismissals of complaints based on Federal Rule of Civil Procedure 12 (b)(6). These dismissals largely rest on alleged *res judicata* grounds which ignore that the challenged registrations were acquired by fraud and deceit. The questions presented are:

1. Do the public interest in the integrity of the Principal Register of Trademarks and the plain language of 15 U.S.C. §1064 (3)(App. 81) mandate that Petitioner be heard on the merits of whether Trademark Registration ("TR") 504,940 and its trademark progeny should be cancelled because (i) the mark was obtained by deliberate theft of Petitioner's corporate name immediately after receipt by its opponent of the January 9, 1934 USPTO opposition decision upholding Petitioner's exclusive property right in its own corporate name "Skippy" under §5 of the 1905 Trade-Mark Act and (ii) the registration of the mark resulted from the applicant's knowing concealment of this 1934 decision in the its 1947 application to the USPTO?

2. Does 15 U.S.C. §1123 (App. 93) bar USPTO adoption of any rule that restricts a person who believes he is damaged thereby from "at any time" (15 U.S.C. §1064) (App.81) seeking cancellation of a trademark registration on grounds set forth in paragraph (3) of the latter statute?

3. Was petitioner's complaint in #03-1085, seeking relief in equity from the district court's judgments in the 1980[2] and 1986[3] actions between the parties, improperly dismissed under Rule 12 (b)(6) as barred by the *res judicata* effect of those judgments, when the 1980 decision clearly recited facts showing that the trial judge was ignorant that the 1934 USPTO opposition decision referred to in his ruling was grounded on petitioner's exclusive property right in its corporate name and was itself entitled to *res judicata* effect against Respondent Lipton?

4. Is petitioner entitled to be heard on whether all respondents committed a fraud upon the district court in 1980 by (i) failing to acquaint the trial judge with a 1954 due diligence letter by one of respondents' counsel that describes the 1934 opposition proceeding by reference to the contents of its official file, (which file was destroyed in the USPTO in 1965 or 1966) (ii) burying the due diligence letter in some 1100 premarked documentary exhibits, admitted *en masse* without discussion, at the trial's end and (iii)

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[2] *Skippy, Inc. v. CPC Int'l, Inc.*, (App. 46) (E.D. VA. 1980); *aff'd* in part 674 F. 2d 209 (4th Cir. 1982); *cert den.*459 U.S.969(1982)

[3] CPC, Int'l, Inc. v. Skippy, Inc. 651 F. Supp 62 (E.D. VA 1986); injunction reversed in part, 214 F. 3d 456 (4th Cir 2000)

affirmatively and at least complicitly *mis*representing to the court that the 1934 opposition was a contest between a 1925 trademark registration owned by petitioner and the Lipton predecessor's application?

5. Did the Court of Appeals abuse its discretion, by refusing Petitioner's motion for temporary recall of its 1982 mandate, so as to permit it to enter, belatedly, the order mandated by 15 U.S.C. §1119(App. 91) to the USPTO, thereby implementing its own 1982 ruling that TR 504,940 is ineligible for incontestability because the 15 U.S.C. §1065 (App. 84) affidavit was false?

LIST OF ALL PARTIES BELOW

Skippy, Inc. is the sole plaintiff-appellant in all proceedings below.

Lipton Investments, Inc. is the sole defendant appellee in #03-1086 and in CA 80-250-A; (Record No 81-1043 (L). Lipton is also a co-defendant-appellee in #03-1085[4] CPC International, Inc. later metamorphosed into Bestfoods, Inc., and the resulting company was acquired in 2000 by Unilever, the Anglo-Dutch conglomerate. Lipton Investments, Inc. is a member of a group of companies who currently widely advertise themselves as the "Unilever-Bestfoods" family of companies. To make the facts herein as effortless as possible to follow, Petitioner has adopted the composite expression Corporate Respondent Group ("CRG") to encompass all of the various companies from Rosefield Packing Co., Ltd. to Lipton Investments, Inc., who became holders, at any time, of naked title in TR 504,940.

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[4] TR 504,940 was originally granted to the Rosefield Packing Co., Ltd. of Alameda, CA, a small company which merged into The Best Foods Co. in late 1954 or early 1955. The Best Foods Co. later merged with Corn Products Refining Co. and the so-merged company, under the name CPC International, Inc. was a participant in *Skippy, Inc. v. CPC Int'l, Inc.*, unofficially reported at 210 USPQ 589 and reproduced *infra*, (App.46), aff'd in part , 674 F. 2d 209 (4th Cir. 1982) *cert* denied,459 U.S.969 (1982); *CPC Int'l, Inc. v. Skippy*, 651 F. Supp 65 (E.D. Va 1986); injunction vacated in part,214 F.3d 456 (4th Cir. 2000) and *CPC Int'l v. Skippy, Inc.*, unofficially reported at 3 USPQ 2d 1456 and reproduced at App.46 (TTAB 1987).

William M. Webner, Esq.,is a co-defendant-appellee in #03-1085 Stephen M. Trattner, Esq., is a co-defendant-appellee in #03-1085 Best Foods, Inc., an originally named co-defendant-appellee in #03-1085 no longer exists as such, according to Lipton's counsel's filings in the court below.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6, petitioner Skippy, Inc., states:

a) It has no parent corporations

b) No publicly held company owns any of its stock

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CITATION OF OPINIONS AND ORDERS BELOW

In #03-1085 the district court's opinion and order are unreported; they are reproduced below at App.15-33. The affirmance by the court of appeals is also unreported and appears at App.1; the order refusing rehearing appears below at App.41.

In 03-1086 the opinion of the Trademark Trial and Appeal Board of the USPTO is unreported and appears at App.34. The district court's affirmance and order are also unreported and are reproduced at App.514. The affirmance by the court of appeals is unreported and appears at App.3; the order refusing rehearing appears at App. 43.

In C.A 80-250-A, Record No. 81-1043 (L), #80-250-A, the order of the court of appeals refusing temporary recall of its mandate is reproduced below at App. 45.

BASIS FOR JURISDICTION IN THIS COURT

Jurisdiction of the Court of Appeals in both actions is premised upon 15 U.S.C. §1121 (App. 92) and 28 U.S.C. §1291.

Jurisdiction of the Court of Appeals to set aside its 1982 mandate temporarily in order to fulfill an unfinished duty imposed by 15 U.S.C. §1119(App. 91) is implicit in 28 U.S.C. §1291.

The judgments in each of appeals #03-1085 and #03-1086 below were entered September 6, 2003 and timely petitions for rehearing were each denied on November 7, 2003.

The sole relief sought in #80-250-A, (Record No. 81-1043)(L) i.e. temporary recall of the 1982 mandate of the court of appeals for the purpose of entering an order to the Director of the USPTO as mandated by 15 U.S.C. §1119(App. 91) was refused in a final order dated December 22, 2003.

Jurisdiction of this Court is invoked under 28 U.S.C. §1254 (1) as to all proceedings sought to be reviewed herein.

STATUTES AND REGULATIONS INVOLVED

The statutes and regulations primarily involved in issues posed by the three proceedings to which this petition pertains are Section 5 of the 1905 Trademark Act, 15 U.S.C. §§1064, 1065, 1115, 1119, 1123; uncodified Lanham Act §46(a), Federal Rules of Civil Procedure 12(b)(6) and 60(b) and 37 C.F.R.§§2.106 and 2.114.

Because they are lengthy, they are printed in the Appendix hereto.

STATEMENT OF THE CASE

A. The 1934 Opposition

The centerpiece of Petitioner's right to relief is a 1934 USPTO opposition decision refusing CGR's *first* 1933 application to register "Skippy" as a trademark for peanut butter. As yet, no tribunal equipped with the facts concerning this opposition has considered and determined whether the decision necessarily bars the acquisition of any valid "Skippy" trademark by CGR.

Petitioner Skippy, Inc. was incorporated in Delaware on May 11, 1932 at the behest of Percy L. Crosby, the originator of a widely syndicated daily comic strip, "Skippy" featuring a distinctive, droll little boy, also named "Skippy"[5]. The comic strip was carried in leading newspapers all over the country from about 1923 to 1945. As of 1932, Mr. Crosby had licensed the use of the "Skippy" name and character as a trademark on a variety of goods, (children's clothing, toys, games, novelties and foods, including candy, ice cream, and bread, but not peanut butter). He had also written a "Skippy" novel, authorized a "Skippy" movie produced by Paramount Pictures Co., which won an Academy Award in 1931 for best direction and licensed a weekly "Skippy" radio program broadcast from Chicago and sponsored by the General Mills Co. cereal, "Wheaties", which was very popular among children.

Mr. Crosby, an artist, a cartoonist and a novelist, established Petitioner to act as the holder and management company for all licenses, contracts, copyrights, trademarks, real estate and other properties that were accumulated as a result of the exercise of his talents and energy. At the height of the Great Depression in 1935, the licensing of the "Skippy" name as a trademark for goods earned in the order of $160,000.00 per year.

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[5] The bulk of the facts in this statement appears in greater detail in the complaint in #03-1085, and they are presumed true pursuant to Federal Rule 12(b)(6). To a limited extent, facts presented herein have also been drawn from the attachments to the complaint in #03-1086.

CGR has never sought a license to use "Skippy" for peanut butter[6]. Petitioner opposed the 1933 CGR application to register "Skippy" as such a trademark and prevailed because of its exclusive property right in its corporate name, secured by §5b of the 1905 Trade-Mark Act, (App.96), as interpreted by this Court in *American Steel Foundries v. Robertson*,269 U.S.372 (1926).

The only surviving record known to Petitioner of what happened in the ensuing Opposition No. 13,134 appears in what the district court below correctly characterized as "an attorney's due diligence letter from 1954" (App. 39). The letter states that on July 14, 1954 that attorney both inspected the official opposition file, then available at the USPTO, and reported his findings in the letter. According to the letter, both parties were represented by counsel, CGR filed a motion to dismiss and waived filing an answer to the opposition, both parties filed briefs on the motion and a hearing was then held at which petitioner's counsel appeared and argued, but CGR's counsel did not attend. A decision was rendered on January 9, 1934 holding in petitioner's favor based on §5b (the Name Clause) of the 1905 Act, which became final when no appeal was taken.

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[6] Two different CGR chief executives have admitted under oath, however, that "Skippy" peanut butter was named after the cartoon character, one before the Food & Drug Administration in 1966, the other in a 1986 deposition. The 1966 testimony was not presented to the 1980 trial court and neither man's testimony was presented in the 1986 litigation.

CGR defied this final decision by brazenly continuing to sell peanut butter marked "Skippy" after being advised that it had no chance of winning an appeal.[7] CGR was at that time a very small entity and in financial trouble, engaged in selling its product (if at all) mainly in California. Its activities were largely unknown to petitioner, located on the East Coast, for much of the period 1934 to 1944. From about 1945, when the ongoing unauthorized use of the "Skippy" name became clear, to 1949, efforts were made to resolve the problem by negotiation or by a suit seeking an injunction, but these efforts were dropped after Mr. Crosby was involuntarily committed to a mental hospital, without hearing and without counsel, in January 1949.

The official USPTO file of Opposition 13,134 was destroyed by the agency in 1965 or 1966. No satisfactory explanation has ever been given. No effort to reconstitute the file has ever been made by the agency, despite many requests from petitioner's President after she learned of the importance of the file, and from various members of Congress and Congressional staff to whom she turned for help in urging the agency to perform its well-established duty to reconstitute.

While petitioner presumably once had a copy of all the relevant papers, petitioner lost the bulk of its files and all its corporate memory after the involuntary commitment of its first president, Mr. Crosby.

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[7] This advice was well taken. See, e.g., *American Steel Foundries v. Robertson*, 269 U.S. 372 (1926); *Feldman & Sons v. Amos and Andy*, 68 F.2d 746 (C.C.P.A. 1934) and cases cited therein.

Petitioner had no paper referring to the opposition when he died, and did not recapture information about what happened in that proceeding until about mid-1984 after its present president, Joan Crosby Tibbetts, had located the aforementioned due diligence letter among the exhibits marked and admitted in evidence at the end of the 1980 trial, and had then educated herself about its meaning. Having no legal training, she was puzzled by its content and spent many months in law libraries educating herself about the Name Clause in §5b of the 1905 Trade-Mark Act (App.96) and its application by the courts.

B. <u>The Period 1949-1979</u>

Petitioner was placed under the management of a succession of "committees" appointed by the Supreme Court of New York County to manage the business affairs of Mr. Crosby under the court's supervision, throughout his involuntary commitment which extended from 1949 through his December 1964 death. These committees were obligated to clear all proposed transactions prior to their completion with the court but did not do so.

After Mr. Crosby's death, his daughter Joan Crosby Tibbetts was appointed administratrix of his estate. One of her first acts in that capacity was to seek estate counsel to advise her, as a non-lawyer, about his assets, including petitioner itself and the properties held by it. Having learned that the firm of Lord, Day and Lord ("LDL") had been in charge of petitioner's day-to-day management from the time of its formation until at least the early to middle 40's, as well as acting as Mr. Crosby's own primary counsel from about 1930

to 1942, she first contacted that firm to help her. Her telephone call was met with rudeness and hostility. LDL asserted that it had a conflict preventing it from representing the Crosby estate because of its then current (1960's) representation of CGR, a major client. When she asked about its possession of files belonging to petitioner, LDL asserted it had none.

Persistent calls to LDL over a ten-year period eventually developed the information, however, that LDL *did* possess files belonging to petitioner but was reluctant to release them to Mrs. Tibbetts and petitioner without first vetting them thoroughly to remove any documents arguably prejudicial to CGR. When some files were delivered to her in 1978, they included nothing that referred or related directly to the 1934 decision.

In 1966 she obtained a substantial body of documents consisting of writings made by her father during his confinement. She learned from reading them that Mr. Crosby was particularly distraught about what he called the "Skippy steal", which related to peanut butter.

She was aware of the CGR peanut butter product being publicly sold under the "Skippy" trademark and tried to find out how this could have occurred. Rose Stein, a lawyer and member of petitioner's final "committee", opined that Mr. Crosby had given permission to CGR to use "Skippy" as a peanut butter trademark in the 30's. Mrs. Tibbetts was very skeptical of this because of its inconsistency with her father's writings in confinement. In her capacity as administratrix she became aware of malfeasance of her

father's committees and authorized the estate counsel she had engaged to file a suit against the last of these committees to invalidate transactions made without requisite court permission. The New York Supreme Court in 1968 ruled in favor of the estate and against the committee, invalidating all unauthorized transactions. As a result, petitioner was reorganized and new officers were installed. Mrs. Tibbetts was elected petitioner's President.

After petitioner's reorganization, a Chicago company called Windy city Features, Inc. ("WCF") endeavored to buy petitioner, or failing that, to obtain an exclusive contract to license and exploit petitioner's comic strip assets with option to buy. This organization also maintained that Mr. Crosby had given permission to CGR to use "Skippy" as a peanut butter trademark, but to induce Mrs. Tibbetts to enter into the exclusive contract, they orally promised to look into the matter and report their findings to her. The contract was consummated in March 1971, but WCF neither looked into the question of CGR's use of the "Skippy" name nor performed on what had been agreed in writing. She terminated the relationship in 1973. About 10 years later, she learned from some of the thousands of exhibits that had been marked and admitted in the 1980 case that WCF was a puppet of CGR.

Following the WCF experience, Mrs. Tibbetts and her husband set out to determine how it came about that CGR was using "Skippy" as a trademark on peanut butter jars. They arranged a visit to CGR headquarters where they met a number of executives over lunch but learned very little. About the same time they learned of a

USPTO record concerning an opposition in which petitioner had been a party and visited the USPTO to find out more. They were shown a ledger that identified the opposition as No. 13,134, named the parties as petitioner and Rosefield Packing Co., Ltd, gave dates of initiation and conclusion and indicated that petitioner won. They also learned that the file of Opposition No. 13,134 had been destroyed in 1965 or 1966 and spent many fruitless hours trying to locate the decision in bound volumes of USPTO decisions and other possible sources.

In 1977 Mrs. Tibbetts wrote to the President of CGR, seeking information about possible exploitation of certain of petitioner's "Skippy" properties and the negotiation of payment for CGR's longtime use of the "Skippy" name on peanut butter. A CGR in-house attorney, Hanes Heller, was thereupon assigned to meet with her and discuss these initiatives. At their first May 1977 meeting he represented that he had with him a complete copy of the opposition file, but refused to show it to her. He also offered to pay her $10, 000 to dissolve petitioner and leave CGR free to negotiate with individual Crosby heirs over whom he said CGR had kept surveillance over for many years.[8] He added that "We tried to settle with your father but he disappeared" and feigned ignorance of Mr. Crosby's involuntary confinement in a mental hospital. Later during telephone conversations, exchange of letters and meetings with her, he told Mrs. Tibbetts that his

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[8] Much later, in 1987, a CGR executive stated that it had been "in court" with the Crosby heirs twenty years earlier, in the New York Supreme Court case where CGR was not a party of record, but was obviously silently supporting the "committee" against the Crosby estate.

company believed it had an incontestable "Skippy" trademark[9] and hence it was unwilling to pay petitioner for use of its name unless some added value could be supplied. Mr. Heller also said that Rosefield, the original registrant of TR 504,940 had "behaved unconscionably" (without stating how) but that the "statute of limitations had run"[10] and CGR now had no liability. All of this was puzzling to Mrs. Tibbetts when she first heard it and continued so until after about mid-1984 when she had found and come to fully understand the due diligence letter.

Eventually Heller offered her $2500.00 for an option to use the "Skippy" comic character in promotional efforts and when she demurred, raised the amount to $25,000.00. When she countered that the LDL-retained documents belonging to petitioner should first be shown to her, he threatened that CGR had considerable influence in Washington and would use it against petitioner if she didn't sign, and thereby release his company's past liabilities to petitioner. Five

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[9] This is the same TR 504,940 that the Court of Appeals for the Fourth Circuit in 1982 held ineligible to become incontestable because a false 15 U.SC. §1065 (App.84) affidavit was tendered to the USPTO to achieve incontestability. See *Skippy, Inc. v. CPC Int'l Inc., supra* 674 F.2d 209, 216. Notwithstanding that ruling, which was never implemented by an order to the Director of the PTO pursuant to 15 U.S.C. §1119 (App.91), the USPTO continues to treat the registration as incontestable--and the court of appeals, when recently advised of the situation, refused the temporary recall of its mandate to enable it to enter the §1119 order belatedly (App.91).

[10] The Lanham Act has never contained a statute of limitations.

months after she signed, the LDL documents were produced. They did not shed light upon the basis for Opposition 13,134 or the grounds upon which it was decided, but they increased her conviction that CGR was liable to petitioner for its unauthorized use of the "Skippy" name and caused her to demand rescission of the option agreement, which Heller refused to discuss. Mrs. Tibbetts then threatened suit against Heller's company and he replied,"We will fight you to the death if you petition to cancel our "Skippy" mark.

C. Petitioner's Interaction With Its Counsel Trattner And The 1980 Suit

Mrs. Tibbetts first met Respondent Trattner in September 1978 as one of the lawyers at a firm she approached, *inter alia,* about suing Heller's company. During the fall of 1978 he impressed her with his thoroughness through countless hours spent in interrogating her about the 1934 opposition, the Crosby estate litigation, LDL, WCF, her conversations and other communication with Hanes Heller, her father's career and his writings in confinement and anything else of possible pertinence to the contemplated suit. Trattner also insisted on, and gained, access to all of the possibly pertinent documents she had at that time been able to collect from any source.

In December of 1978, she asked Trattner to telephone Hanes Heller and try to arrange for a conference at which a last ditch effort at negotiated settlement could be made. In mid-January 1979 he called Heller but it is uncertain what was discussed. The meeting never occurred and Trattner told Mrs. Tibbetts after the call was over, to her surprise, that he

had not yet decided whether to take petitioner's case against Heller's company. Trattner then made phone calls to both Rosefield brothers, who with their father made up the core personnel of Rosefield Packing Co. in 1933-1934, allegedly in a further effort to decide whether to take the case.

In April 1979 Respondent Trattner agreed to take the case, but said the only cause of action on which petitioner could sue was trademark infringement under the Lanham Act and when Mrs. Tibbetts stated that petitioner filed an application in 1978 to reregister "Skippy" featuring a humorous juvenile character, thereby reviving a registration obtained by her father in 1925 which had lapsed in 1945, Respondent Trattner said that they must wait for it to be registered before initiating suit. The registration, No. 1,129,551 was issued January 22, 1980. The complaint for trademark infringement was filed March 14, 1980.

Mr. Trattner behaved peculiarly throughout the 1980 case in numerous respects. He spent countless hours preparing Mrs. Tibbetts to testify wherein he provided specific canned answers to be memorized and advanced in response to certain questions, told her to give only general answers to any but the most specific and detailed of questions, told her not to testify to certain facts, such as Mr. Heller's claim that he had in his briefcase at their first meeting a copy of the file of Opposition 13,134.

When he took depositions of the Rosefield brothers, or executives of Mr. Heller's company and later when he examined LDL partners at trial, Trattner

asked no questions about the 1934 opposition. Nor did he discuss with his client the content of nonconfidential documents obtained in discovery or take steps to acquaint petitioner with the progress of his preparation for trial or the strengths and weaknesses of petitioner's case.

In July 1980 at a motion hearing held shortly before the trial Trattner indicated his intention to file a Rule 37 motion that afternoon, to obtain a copy of the 1934 opposition decision. He never did so.

The 1980 trial consumed 2 ½ days; yet respondent counsel on both sides of the case marked more than 1100 exhibits and moved them into evidence *en masse* in a few minutes at the trial's end, despite repeated warnings that the judge would read only those specifically called to his attention.

Among these documents dumped *en masse* upon the court was the lawyer's due diligence letter prepared *before* the Patent Office records were destroyed, marked as Plaintiff's Exhibit 703. Had the trial judge had any inkling of its content, he could not and would not have held, as he did, that "There was no hearing" (App. 61) in the 1933-1934 opposition to Rosefield's trademark application filed by Skippy, Inc. Nor could he have failed to recognize if he had read the letter, that the opposition decision was final and binding because of petitioner's exclusive property right in its corporate name secured by §5(b) of th 1905 Trade-Mark Act, the "Name Clause".(App.96)

D. The 1986 Cancellation Petition

In February 1982, CGR filed two oppositions (Nos. 65,712 and 65,713) to registration of "Skippy" service marks sought by Petitioner. CGR relied upon TR 504,940 to support its standing to oppose. After Mrs. Tibbetts had become convinced from her legal research of the meaning and value of the lawyer's due diligence letter, she asked two successive lawyers who represented petitioner in the consolidated opposition proceeding to file an amended answer to the oppositions and a petition to cancel TR 504,940, based upon CGR's fraudulent procurement of TR 504,940 as revealed by the facts in the due diligence letter.

One of the lawyers had discovered a conflict between petitioner and a pre-existing client and withdrew immediately. The second lawyer had recently moved into private practice from a trademark examining position in the USPTO. He said the task was too complicated for his level of experience and also withdrew. Mrs. Tibbetts then telephoned Respondent Webner in September 1984, in an effort to persuade him to withdraw his oppositions, based on the facts in the due diligence letter showing TR 504,940 to have been fraudulently acquired, and work out a settlement with plaintiff that would benefit him and his client by removing the serious ongoing fraud on the USPTO that both were maintaining. Webner responded in a rude and surly manner, threatening that she would "pay through the nose" for "anything that injures my reputation". He refused to speak with her further, after stating "the market is set up in such a way that Skippy Inc. will never gain entry".

A third lawyer for petitioner, engaged in early 1985, refused to seek cancellation of TR 504,940 because he feared this would adversely affect his close friendships with various trademark officials in the USPTO. This lawyer persuaded her that petitioner should re-enter the food business so as to piggyback off the goodwill that the original Rosefield theft of petitioner's property right in its "Skippy" name had stolen from petitioner.

All of this led to the filing on April 10, 1986 by Mrs. Tibbetts, acting *pro se* for petitioner, of two petitions to cancel, one directed to TR 504,940 and one (later dropped), to cancel another CGR trademark registration, plus an amended answer in the oppositions asserting as a counterclaim the petition to cancel TR 504,940.

In an order dated May 29, 1986 the USPTO's Trial and Appeal Board refused leave to file the petition to cancel TR 504,940 based on one or both of its Rules of Practice, 37 C.F.R. §2.106(b)(2) (App. 102) or 2.114(b)(2)(App. 103), which are identical but respectively apply to counterclaims in each of trademark oppositions and trademark cancellation proceedings.[11] The Board opined that since the counterclaim was compulsory, it had been waived when not filed in May 1982 when the answer to the oppositions was due. This ignores that petitioner did not even know of the due diligence letter in 1982.

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[11] As explained, *infra*, in the "Reasons", the very existence of these two rules is at odds with the "at any time" language of 15 U.S.C §1064(3), (4) and (5) (App.81) and the *limited* power of the USPTO under 15 U.S.C. §1123 (App.93) to adopt rules.

Mrs. Tibbetts, still acting *pro se*, petitioned the Commissioner of the PTO from this decision, but was told that the issue raised was solely for determination by the Board.

E. The 1986 Litigation

This action was the direct outgrowth of advice that petitioner and Mrs. Tibbetts had been given to re-enter the food market. Petitioner did this in conjunction with a licensee, Pineland Peanut Processors, Inc. ("Pineland") by offering for sale a caramel corn-peanut product packed in specially designed "Skippy" pails decorated with "Skippy figures and symbols, each having a lid bearing the Skippy, Inc. logo designed in 1932.

Petitioner, Pineland and Mrs. Tibbetts were all named as defendants and charged with infringement of TR 504,940, unfair competition and intentional interference with CGR property rights. Pineland settled early and accepted an injunction. Mrs. Tibbetts filed a *pro se* answer but could not obtain counsel for petitioner until about four months after service of the complaint.

In her *pro se* answer, Mrs. Tibbetts raised the affirmative defense of fraudulent procurement of TR 504,94, and petitioner's counsel filed a counterclaim which also raised this issue. Both, however, were dismissed summarily on the ground of *res judicata* flowing from the 1980 decision.

The trial judge remarked, upon looking at the Skippy pail, that it seemed to him that "CPC is reverse piggy-backing off Skippy, Inc." and "turnabout is fair

play", but nevertheless entered a two-part injunction precluding petitioners and Mrs. Tibbetts from (1) offering to license or sell, distribute, advertise or promote a food product and (2) communicating in any way that petitioner has rights in the trademark Skippy or that CGR lack rights in that trademark for food products.

F. Post-1987 Events

The complaint in # 03-1085 is replete with the details of travails suffered by petitioner after 1987, including sustained but unsuccessful efforts to settle with CGR and efforts to conduct a business unencumbered by CGR attempts to prevent or impede it in doing so. These travails are recounted to show that petitioner has not been sleeping on its rights but has at all times, within the limits of its dire financial condition, its need for trained legal assistance and its inability to control such circumstances as the injunction imposed in 1986, sought diligently to be heard relative to the rights it is now pursuing.

G. The Rulings Below

#03-1086 arises from a USPTO TTAB decision (App.46-60) refusing to consider petitioner's cancellation petition on the primary ground of *res judicata* allegedly arising from its 1986 refusal to consider the cancellation petition that Mrs. Tibbetts filed *pro se* in 1986, plus a secondary ground of *res judicata* deriving from the 1980 and 1986 district court decisions.

The district court decision (App.14) affirming the USPTO and refusing to exercise its independent jurisdiction under 15 U.S.C §1121 to hear and decide the effect of the 1934 USPTO opposition decision spring in large part from an apparent conviction by the court that the public interest in removing fraudulently obtained trademark registrations from the Principal Register of Trademarks, discernible from 15 U.S.C. 1064(3), is subservient to its own formulation of "a strong public interest in adjudicating parties' rights to a mark in one proceeding" (App.12) which has no statutory basis.

The decision also mistakenly imputes to petitioner the alleged knowledge of the due diligence letter that its 1980 counsel, Respondent Trattner possessed in 1980, but withheld from petitioner (App. 9,13) and *ignores* that the complaint in # 03-1085 charges this Respondent with participating in a fraud upon both the 1980 court and petitioner, *inter alia*, by his handling of that letter.

In addition, the decision ignores the evidence in the 1980 court opinion (App.62) that the trial judge was ignorant of the content of the due diligence letter(App.77). It further attributes a *res judicata* effect that prevents petitioner from being heard to a release clause in a 1978 "option agreement,"as to which agreement the 1980 trial court opinion specifically held that "the contract between the parties does not contain any covenants not to sue." (App.79) Further ignored is that the petitioner's president was induced to sign the release when CGR, including attorney Heller, *knew* the ground of the 1934 opposition decision, but petitioner and its president *did not*.

In #03-1085 the complaint seeks to set aside the 1980 and 1986 judgments under the several equity powers of the federal courts, as the product of a continuing fraud on the district court, and seeks a new trial plus other appropriate relief.

The district court relied primarily upon the alleged *res judicata* effects of the 1980 and 1986 cases to dismiss (App. 26,27,29,30), but additionally invoked alleged failure to assert the fraudulent procurement of TR 504,940 as a compulsory counterclaim in 1986 (App. 28,29) and alleged time bars (App.24,31) as further reasons. In so doing, it once again necessarily imputed to petitioner whatever knowledge of the content of the 1954 lawyer's due diligence letter that Respondent Trattner possessed in 1980, even though Trattner withheld it from his client and the 1980 court.

The compulsory counterclaim ruling ignores both Mrs. Tibbetts' *pro se* affirmative defense in 1986 and the counterclaim that petitioner's counsel filed in that case, both of which raised the fraudulent procurement by CGR of TR 504,940. It also ignores that petitioner's counsel withdrew on the day of the 1986 trial, leaving petitioner and Mrs. Tibbetts powerless to appeal because of lack of funds to hire new counsel, and because her husband was terminally ill.

REASONS WHY THE WRIT SHOULD BE GRANTED

I. An Overly Rigid, Kneejerk Application of *Res Judicata* Invites and Fosters Fraud

Even as strict justice is harsh if not appropriately tempered by mercy, overly rigid, unyielding judicial and administrative adherence to *res judicata* is an open invitation to the unscrupulous to devise ever more ingenious techniques for committing fraud, and effecting coverups of information essential to a fair hearing.

This Court so stated in *Brown v. Felsen*, 442 U.S. 127, 132 (1979), relied upon in both district court opinions below, as follows (App.9, 26)

"Because res judicata may govern grounds and defenses not previously litigated, however, it blockades unexplored paths that may lead to truth. For the sake of repose, res judicata shields the fraud and the cheat as well as the honest person. It therefore is to be invoked only after careful inquiry."

In a similar vein, the Fourth Circuit Court of Appeals in *In re: Microsoft Antitrust Litigation*, #03-1871 (decided January 15, 2004) cautioned that collateral estoppel, an acknowledged " subset of the *res judicata* genre"--and particularly the "offensive" form of collateral estoppel--should be invoked cautiously because a great potential for harm may attend its inappropriate application. As the court of appeals

emphasized throughout the cited opinion, one of the prerequisites to application of offensive collateral estoppel is that the party to be estopped must have had a fair and full opportunity to be heard at trial.

Unfortunately, inadequate attention currently is being paid by many lower courts to whether a party potentially estopped by *res judicata* has ever had a full and fair opportunity to be heard. The central difficulty attending the kneejerk attribution of *res judicata* to the 1980 case, which both courts below clearly made in the two actions now before this Court, is that petitioner could not possibly have had a fair trial in 1980 for at least two reasons:

(1) The basis for the 1934 opposition decision, petitioner's exclusive property right in its own name, which should have controlled the outcome of the case, was concealed[12] The presumption that a

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[12] "Concealed" is the proper term here, because a single document presented to a busy court in a mass of some 1100 premarked exhibits, without any specific effort to mention it or otherwise attract the court's attention to it *is* concealed. As the court in *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F. 2d 1556, 1573 (Fed Cir 1983) *cert. den.*, 469 U.S. 857 (1984) observed in a wholly parallel situation,

> "we regard the court's conclusion of law that he was "fully informed of all the factors material to the patentability of the methods claimed", as unrealistic.... The conclusion...rests solely on the presentation to him of a mountain of largely irrelevant data from which he is *presumed* to have been able, with his expertise and with adequate time, to have found the critical data."

critical document which is marked in evidence is known to a court is wholly unrealistic when the mass of material being dumped on that court at one time is proportionately huge and the document has never been identified to the court and stressed as important. So viewed, such a presumption is another invitation to, and nurturer of, fraud from the court and the plaintiff, petitioner here, throughout the case.

(2) Thereby lacking any realistic factual foundation to build upon, the 1980 court was disempowered to afford a fair hearing to the petitioner and the case is not a fair and realistic basis upon which to estop petitioner from being heard anew.

In the context of the two cases before this Court, where misplaced worship of speed, efficiency and judicial or administrative convenience have subverted standards of truth, honesty and fairness, petitioner's rights have repeatedly been given short shrift. In this atmosphere, the public interest objectives which are an important component of the Lanham Trademark Act, are likewise not being served. An example of such an objective that is glaringly ill-served is that of attaining,

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Indeed, the postulated presumption of ability to find hidden material information in a mass of documentary material *also presumes* that the seeker knows what he is looking for and has the time to recognize it and understand its content.

and then maintaining, the integrity of the Principal Register of Trademarks established by 15 U.S.C. §§1051-1072 inclusive. Achieving integrity of that register is problematic so long as arbitrary rules adopted for administrative convenience restrict the open-ended "at any time" right to seek cancellation of the fatally flawed types of trademark registrations defined in 15 U.S.C. §1064(3). This brake upon the statutory right of cancellation insures that some unknowable number of badly tainted registrations will always pollute the Register. Petitioner, caught in the maelstrom of automatic judicial and quasi-judicial subservience to *res judicata,* has never had any opportunity, let alone a fair one, to be heard on its *real case* against respondent Lipton and its predecessors in *any* tribunal. The two cases before the Court present a prime example of how *res judicata,* applied automatically rather than with care, perpetuates fraud.

II. The Words "At Any Time" in 15 U.S.C. §1043(3) Have "A Plain and Unambiguous Meaning"

Marshak v. Treadwell, 240 F.3d 184 (3d Cir. 2001), is in direct conflict with both (1) those rulings below which condone the USPTO's adoption of "compulsory counterclaim rules" that limit the "at any time" language of 15 U.S.C. §1064(3) (App.81) and (2) those rulings below that effectively condone the use of time bars or *res judicata* to foreclose a hearing on the merits at "any time" of a cancellation petition that is premised on fraudulent procurement of a trademark registration.

Marshak relies on well founded principles of statutory construction and the historical origins of the language "at any time" in 15 U.S.C. §1064 (3) to conclude that this language, "at any time", means exactly what it says. It then gilds this conclusion by superimposing upon it the *public* interest in the integrity of the Principal Register of Trademarks--an interest that is simultaneously both transcendent over, and complementary to, the interests of any specific person, such as petitioner, who has suffered severe damage from the effects of another's fraudulently procured trademark. *Marshak* thereby shows that *both* interests are best served by recognizing the full scope of §1064(3)'s plain language.

The Third Circuit's elegantly simple conclusion that "at any time" means precisely what it says is in stark contrast to the USPTO compulsory counterclaim rules. Those rules, 37 C.F.R. §§2.106(b)(2) and 2.114(b)(2) (App.102-103) cannot complement a statute permitting cancellation to be sought at any time, when--as happened in #03-1086-- they can so readily be wielded to change "at any time" to its diametric opposite of "never", thus ensuring that *some* fraudulent procurement claims against trademark registrations are forever barred from being heard. The necessary concomitant--that some fraudulently procured marks can stay upon the register in perpetuity--is repugnant to the very notion that there is a public interest in the *integrity* of the Register.

The premise that *res judicata* may *preclude* cancellation "at any time", of a fraudulently procured or otherwise fatally flawed registration, even though the particulars of a fraud claim sought to be presented

were *never* previously considered, is equally as destructive of both §1064(3)'s "at any time" requirement and the public interest that it was, at least in part, intended to serve.

That such jarringly inconsistent results relative to cancellation of fraudulently procured trademarks can readily be arrived at, so long as the *Marshak* interpretation of §1064(3), the PTO compulsory counterclaim rules and the inflexible *res judicata* rules followed below are allowed to coexist (and may hence be randomly applied by the courts or the agency) unfortunately reveals the notion of the *integrity* of the Register as only a dream with little hope of achievement at present. Both the courts and the USPTO clearly are in need of this Court's guidance about how to remedy this unfortunate situation, and that guidance is respectfully requested.

III. 15 U.S.C. §1123 and the Compulsory Counterclaim Rules

15 U.S.C. §1123 (App.93) defines the quantum of power that Congress has seen fit to grant to the USPTO to make rules for the conduct of trademark cases before the agency as *limited* to rules which are "not inconsistent with law". The compulsory counterclaim rules are plainly incompatible with 15 U.S.C. §1064(3) if "at any time" in the statute means what it says, as petitioner believes it *must* in a rational world. Hence the cited rules *are* inconsistent with law.

The story behind the adoption of the two rules is one of agency power that has run amok. Briefly stated, during the 1970's the USPTO, acting in concert with its

TTAB, purported to "adopt" Federal Rule of Civil Procedure 13(a) to compel assertion of cancellation claims as compulsory counterclaims in *inter partes* trademark proceedings.

In *Thuron Industries v. The Conard Pyle Co.*, 579 F.2d 633, 637 (C.C.P.A. 1978) the court reviewed this adoption and ruled it was invalid because the TTAB had no authority to do this, citing 15 U.S.C. §1123. The agency thereupon drafted the present rules and published them, together with a 12-page supporting commentary, on January 22, 1981, commencing at 46 Fed Reg.6934. This commentary fails to come to grips with the fact that the compulsory counterclaims then proposed, adopted April 1, 1981 and still in force, *necessarily* constitute an arrogation of power never delegated to the agency *because* they impose limitations on 15 U.S.C. §1064's(3) "at any time" provision.

The pertinent statutes adopted by Congress, 15 U.S.C. §§1064(3) and 1123, quite clearly lead one to the conclusion that Congress's goal for the USPTO in this instance was to insure that *all* petitions to cancel trademark registrations on grounds set forth in 15 U.S.C. §1063(4), *whenever* brought, (i.e., "at any time") *should* be fully and fairly considered and ruled upon in furtherance of first achieving, and later preserving, the integrity of the Principal Register of Trademarks.

IV. The Complaint in #03-1085, An Independent Action Brought Under The Savings Clause of Federal Rule of Civil Procedure 60(b) Should Be Reinstated

The dismissal of the complaint in #03-1085 was made in the district court (App.15) and affirmed by the court of appeals in a summary order (App.3). This dismissal rests mainly on the same technical ground of *res judicata* discussed in preceding subsections of this "Reasons" section. Additional reasons given were failure to file a compulsory counterclaim under Federal Rule of Civil Procedure 13(a) in the 1986 case and alleged time bars.

The nub of the factual basis for the complaint in #03-1085 is the same as that in #03-1086--namely, the fraud and deceit that CGR have practiced on petitioner in one form or another, ever since the 1934 USPTO decision recognizing petitioner's exclusive property right in its name, and petitioner's resulting right to be heard on whether TR 504,940 and its trademark progeny must be cancelled for fraudulent procurement.

The district court's dismissal opinion, (App.15), as affirmed summarily, is fundamentally flawed and in conflict with *at least Conley v. Gibson,* 355 U.S. 41, 45-46 (1957) and countless decisions from circuit courts of appeals that follow *Conley*. *No* consideration was given, at either the district court or the appellate level, to whether, *beyond doubt,* the plaintiff could prove *no* set of facts in support of its claim that would entitle it to relief--yet the pleaded facts, which must be taken as true under Rule 12(b)(6) clearly show a substantial

claim for unfair competition based on a continuing tort of stealing petitioner's corporate *persona,* bit by bit, extending up to the present time.

V. 15 U.S.C. § 1119 Clearly Requires That The Court of Appeals Perform Its Duty to Implement Its 1982 Ruling that the 15 U.S.C. §1065 Affidavit Filed in TR 504,940 is False

Petitioner moved in C.A 80-250-A (81-1043L) for temporary recall of the court of appeals 1982 mandate in *Skippy, Inc., v. CPC Int'l, supra,* to allow that court to enter the 15 U.S.C. §1119 order, certified to the director of the USPTO, that is necessary to ensure that USPTO records correctly reflect the court's own 1982 ruling (reversing its district court) that the 15 U.S.C. §1085 affidavit filed to achieve "incontestable" status for TR 504,940 is false.

In so moving, petitioner demonstrated that respondent Webner in 1985 wrongfully induced the USPTO to believe that the court of appeals had restored TR 504,940 to presumptively "incontestable" status by the act of *vacating, instead of reversing,* the district court's declaratory judgement that the registration is incontestable--and that, accordingly the USPTO continues to treat TR 504,940 as incontestable . That court refused to set aside the mandate temporarily and thereby perforce also refused to comply with 15 U.S.C. §1119.

The language of 15 U.S.C. §1119--"Decrees and orders *shall* be certified to the Director" of the USPTO--is peremptory. Petitioner urges that the court of appeals has a duty to comply with this statute *now,*

notwithstanding its no doubt inadvertent failure to make timely compliance in 1982. This Court's guidance on this point is needed and is hereby requested.

CONCLUSION

The petition should be granted and a writ of certiorari duly issued to petitioner.

Respectfully submitted,

/s/ Mary Helen Sears
Mary Helen Sears
Attorney of Record
The M.H. Sears Law Firm, Chartered
910 Seventeenth Street, N.W., Suite 800
Washington, D.C. 20006
Telephone: 202-463-3892
Telecopy: 202-463-4852

(2)

No. 03 1146 FEB 5 - 2004

In The

Supreme Court of the United States

SKIPPY INCORPORATED,

Petitioner,

v.

LIPTON INVESTMENTS, INCORPORATED, *et al.*

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Appendix to Petition for Writ of Certiorari

Mary Helen Sears
Counsel of Record
M. H. SEARS LAW FIRM
910 Seventeenth Street, NW
Suite 800
Washington, DC 20006
(202) 463-3892

Counsel for Petitioner

THE LEX GROUP ♦ 1108 East Main Street ♦ Suite 1400 ♦ Richmond, VA 23219
(804) 644-4419 ♦ (800) 856-4419 ♦ Fax: (804) 644-3660 ♦ www.thelexgroup.com

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UNPUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 03-1085

SKIPPY INCORPORATED,

Plaintiff - Appellant,

versus

LIPTON INVESTMENTS, INCORPORATED; BESTFOODS, INCORPORATED; WILLIAM M. WEBNER; STEPHEN M. TRATTNER,

Defendants - Appellees.

Appeal from the United States District Court for the Eastern District of Virginia, at Alexandria. James C. Cacheris, Senior District Judge. (CA-02-1571-A)

Submitted: August 29, 2003
Decided: September 12, 2003
[Entered: September 12, 2003]

Before WILKINSON, WIDENER, and WILLIAMS, Circuit Judges.

Affirmed by unpublished per curiam opinion.

Mary Helen Sears, M. H. SEARS LAW FIRM, Washington, D.C., for Appellant. Carol T. Stone, Camille Turner, JORDAN, COYNE & SAVITS, L.L.P., Fairfax, Virginia; W. Mack Webner, SUGHRUE MION, P.L.L.C., Washington, D.C., for Appellees.

Unpublished opinions are not binding precedent in this circuit. See Local Rule 36(c).

PER CURIAM:

Skippy Incorporated appeals the district court's order dismissing its complaint, among other reasons, for failure to state a claim upon which relief can be granted, pursuant to Fed. R. Civ. P. 12(b)(6). We have thoroughly reviewed the record and find no reversible error. Accordingly, we affirm for the reasons stated by the district court. See Skippy Inc. v. Lipton Investments, Inc., No. CA-02-1571-A (E.D. Va. Dec. 20, 2002). In light of our disposition, we deny as moot Appellees' motions for summary affirmance. We dispense with oral argument because the facts and legal contentions are adequately presented in the materials before the court and argument would not aid the decisional process.

AFFIRMED

UNPUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 03-1086

SKIPPY INCORPORATED,

Plaintiff - Appellant,

versus

LIPTON INVESTMENTS, INCORPORATED,

Defendant - Appellee.

Appeal from the United States District Court for the Eastern District of Virginia, at Alexandria. James C. Cacheris, Senior District Judge. (CA-02-1227-A)

Submitted: August 29, 2003
Decided: September 12, 2003
[Entered: September 12, 2003]

Before WILKINSON, WIDENER, and WILLIAMS, Circuit Judges.

Affirmed by unpublished per curiam opinion.

Mary Helen Sears, M. H. SEARS LAW FIRM, Washington, D.C., for Appellant. William M. Webner, SUGHRUE MION, P.L.L.C., Washington, D.C., for Appellee.

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AFFIRMED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

SKIPPY, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	02-1227-A
LIPTON INVESTMENTS, INC.,	)	
	)	
Defendant.	)	

MEMORANDUM OPINION

[Entered: December 20, 2002]

This case is before the Court on Defendant's Motion to Dismiss for failure to state a claim upon which relief can be granted, pursuant to Federal Rule of Civil Procedure 12(b)(6).

I. Background

This case involves a Trademark Cancellation petition initiated by Plaintiff, Skippy, Inc. ("Plaintiff" or "SI"), seeking cancellation of Trademark Registration No. 504.940, which is currently held by Defendant Lipton Investments, Inc. ("Defendant" or "Lipton"). Registration No. 504,940 is for the mark "Skippy" for peanut butter. Plaintiff asserts in the cancellation petition that the Registration was

fraudulently procured and maintained. Specifically, Plaintiff alleges that Lipton's predecessor in interest, Rosefield Packing Co., failed to inform the Patent and Trademark Office (PTO) of the outcome of a controlling 1933 registration application and opposition proceeding.

On June 18, 2002, the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office (TTAB) dismissed the petition with prejudice on grounds of *res judicata* and failure to bring the claim as a compulsory counterclaim. Plaintiff now petitions this Court to consider the application on the merits, and asks this Court to declare Registration No. 504,940 void and award Plaintiff any other relief as may be proper.

II. Standard of Review

Appeal from an action taken by the TTAB is in the Court of Appeals for the Federal Circuit. 15 U.S.C. § 1071(a). However, under the provisions of 15 U.S.C. § 1071(b)(1), in lieu of an appeal a party may bring a civil action in a district court. 15 U.S.C. 1071(b)(1). In that civil action, the "court may adjudge... that a registration should be canceled, or such other matter as the issue in the proceeding require, as the facts in the case may appear." Id.

In reviewing a case under 15 U.S.C. § 1071(b), the court sits in a dual capacity. On the one hand, the court is an appellate reviewer of facts found by the TTAB. On the other hand, the court is a fact-finder based on new evidence introduced to the court. Review of new evidence is de novo. 3 McCarthy, §

21:21. The district court, must, however, afford deference to the fact-findings of the TTAB. Id. In 1999, the Supreme Court held in Dickinson v. Zurko, 527 U.S. 150 (1999), that the proper standard of judicial review of findings of fact made by the PTO is the standard of the Administrative Procedure Act (APA), 5 U.S.C. § 706. Zurko, 527 U.S. at 165. Although Zurko involved the Federal Circuit's review of a decision of the PTO, the Court's holding also has been applied to findings of fact made by the TTAB. See, e.g., On-Line Careline v. America Online, Inc., 229 F.3d 1080, 1085 (Fed. Cir. 2000). Section 706 of the APA sets forth two separate standards of review: "arbitrary and capricious" and "unsupported by substantial evidence." 5 U.S.C. § 706(2)(A), (E). The Federal Circuit has concluded that, after Zurko, it will review TTAB findings of fact for substantial evidence. On-Line Careline, 229 F.3d at 1085. Accordingly, because the Fourth Circuit has not addressed the issue, this Court will review the TTAB's findings of fact under the substantial evidence standard. "Substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." Consol. Edison Co. v. NLRB, 305 U.S. 197 (1938).

III. Analysis

The TTAB found, and Defendants argue in this Court, that Plaintiff's Cancellation Petition is barred by *res judicata* and failure to assert the alleged fraudulent procurement as a compulsory counterclaim in earlier litigation. Furthermore, Defendants assert that

Plaintiff's claim is barred by the agreement executed in 1977, in which SI released Lipton's predecessor, CPC International, "from any and all claims which Skippy, Inc. may have had against [CPC] related to [CPC's] use of the name 'Skippy.'" Skippy, Inc. v. CPC Internat'l, 210 U.S.P.Q. 589, 592 (E.D. Va. 1980), aff'd in part, vacated in part, 216 U.S.P.Q. 1061 (4th Cir. 1982), cert. denied (1982) ("Skippy I").

In Skippy I, the Plaintiff pled fraud in the procurement of Registration No. 504,940, and both this court and the Circuit Court found that the Option Agreement released any such claims that SI had. Skippy I, 210 U.S.P.Q. at 593; 674 F.2d at 213-14. Plaintiff asserts, however, that the alleged fraud argued by Plaintiff's counsel in Skippy I is not the same fraud alleged in the Petition to Cancel and the current Complaint. Specifically, Plaintiff asserts that the fraud Plaintiff is currently asserting is evidenced by a 1954 memorandum written by E. F. Wenderoth, a patent lawyer who represented Defendant's predecessor. That memorandum details the 1933 proceedings in the TTAB, during which Defendant's predecessor, Rosefield, attempted to register the mark "Skippy" for peanut butter. Plaintiff opposed the registration, and Rosefield's application was denied on the basis of the "Name Clause" in the 1905 Trademark statute. Plaintiff asserts that the Court was not aware of the Wenderoth memorandum or its contents, and Plaintiff believes that had the court been so aware, a finding for Plaintiff would have been mandated in the 1980 litigation. However, Plaintiff has acknowledged that

the Wenderoth memorandum was presented to the Court in Skippy I as an exhibit to Plaintiff's pleadings. (02-1571 Compl. ¶24).[1]

The doctrine of *res judicata* bars a second suit involving the same parties or their privies based on the same cause of action, after a prior adjudication on the merits. Parklane Hosiery Co. v. Shore, 439 U.S. 322, 326 n. 5 (1979). *Res judicata* bars not only those claims that were raised and fully litigated, but also "prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding." Brown v. Felsen, 442 U.S. 127, 131 (1979). Courts presume that litigants have "done [their] factual and legal homework" and raised all grounds arising out of the same facts in support of their claims. Peugeot Motors of Am., Inc. v. Eastern Auto Distribs., Inc., 892 F.2d 355, 359 (4th Cir. 1989) (citing Car Carriers, Inc. v. Ford Motor Co., 789 F.2d 589, 596 (7th Cir. 1986).

It is clear that Plaintiff's counsel was aware of the 1954 Wenderoth Memorandum at the time of Skippy I. Thus, Plaintiff's counsel could have raised the Memorandum in arguing fraudulent procurement of Registration 504,940 but did not. Accordingly,

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[1]In certain situations, the court may take judicial notice of public documents in related cases. Ellis v. Cates, 178 F.2d 791, 793 (4th Cir. 1949). The Court believes this is such a situation, especially where Plaintiff has represented in case number 02-1571 that it will seek consolidation of the two actions, and Plaintiff refers multiple times to the Complaint in 02-1571 in its own pleadings.

Plaintiff's current claim that Registration 504,940 was fraudulently obtained is barred by the *res judicata* effect of Skippy I.

Furthermore, Plaintiff's claim that Registration No. 504,940 was fraudulently obtained was required to be brought as a compulsory counterclaim in the TTAB opposition proceedings from 1982 to 1987, in which Defendant opposed Plaintiff's applications for trademarks on the basis of Registration No. 504, 940 (final decision published at CPC Internat'l v. Skippy, Inc., 3 U.S.P.Q. 2d 1456 (TTAB 1987)) and in the suit brought by Defendant in 1986 against Plaintiff for infringement of Registration No. 504,940 (final decision published at CPC Internat'l v. Skippy, Inc., 651 F. Supp. 62 (E.D. Va. 1986)).

Federal Rule of Civil Procedure 13(a) provides that:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

Fed. R. Civ. P. 13(a). Plaintiff asserts that it knew the significance of the 1934 decision in 1984. (02-1571 Compl. ¶18). Thus, the claim was known to SI at the time it was served with the 1986 suit. In that suit,

Lipton's predecessor, CPC International, sued Plaintiff and its president, Tibbetts, for infringement of Registration No. 504,940. Plaintiff's assertion that the Registration was fraudulently obtained was a compulsory counterclaim under Rule 13(a). Accordingly, such claim is now waived, and Plaintiff is barred from bringing the current cancellation action.

Furthermore, Under Trademark Rule 2.106(2)(i),

> [a] defense attacking the validity of any one or more of the registrations pleaded in the opposition [504,940 in this case] shall be compulsory counterclaim if grounds for such counterclaim exist at the time when the answer is filed.... If grounds for a counterclaim are learned during the course of the opposition proceedings, the counterclaim shall be pleaded promptly after the grounds therefore are learned.

37 C.F.R. § 2.106(2)(i). Plaintiff asserts that it became aware of the significance of the Wenderoth memorandum in 1984, at which time the 1982 opposition proceeding was still ongoing. Thus, Plaintiff was required to bring a counterclaim for rescission at that time under 37 C.F.R. § 2.106(2)(i).

Plaintiff asserts that the compulsory counterclaim provision should not be given effect because it is inconsistent with 15 U.S.C. 1064(3), which permits the filing of a petition to cancel "at any time" if the registration was obtained fraudulently, and

because of the important public interest in having fraudulently obtained trademarks removed from the register. As support for such a proposition, Plaintiff notes that the TTAB has held that the equitable defenses of estoppel and laches are not available in claims of fraud. See, e.g., Harjo v. Pro Football, Inc., 30 U.S.P.Q. 2d 1828, 1831 (TTAB 1994). This Court will not vacate a Rule propagated and enforced by the TTAB on the basis of a policy statement, arguably dicta, in a TTAB decision. Although there may certainly be a public interest in removing fraudulently obtained registrations from the register, there is also a strong public interest in adjudicating parties' rights to a mark in one proceeding. This Court does not find the TTAB's enforcement of the compulsory counterclaim Rule unduly "harsh," as Plaintiff asserts, where, as here, Plaintiff was aware of the alleged basis for a cancellation but chose not to bring those allegations for *18 years*. Accordingly, Plaintiff is barred from bringing the current cancellation proceeding based on its prior failure to assert such a claim in the 1986 trademark infringement litigation and 1982-87 opposition proceedings.

Finally, Defendant argues that Plaintiff is contractually barred from contesting the Registration, according to the provisions of a release signed by Plaintiff's president, Ms. Tibbetts, in 1977. Plaintiff asserts that that release is invalid, as it was fraudulently obtained.

In Skippy I, Plaintiff asserted that the release was fraudulently obtained. In that proceeding, the District Court found that "[Plaintiff's] claim that the

release was obtained by fraud or trickery lacks both evidentiary and legal support." Skippy I, 210 U.S.P.Q. at 593. The Fourth Circuit affirmed. Skippy, Inc., 674 F.2d at 213. Plaintiff asserts that giving the 1980 decision *res judicata* effect would be "the height of travesty," since Plaintiff alleges that it did not know the full substance and import of the 1934 decision at the time of Skippy I. However, as addressed above, Plaintiff's counsel was fully aware of the facts of the 1934 decision, and such information was submitted to the Court. The doctrine of *res judicata* bars all defenses and legal claims available to the party at the time of the litigation, no matter whether they were raised at that time. Brown, 442 U.S. at 131. Accordingly, the validity of the release has already been determined by the Court, and Plaintiff is now barred from relitigating that issue. Thus, Plaintiff's cancellation provision is barred by the terms of the 1977 release.

IV. Conclusion

For the foregoing reasons, Defendant's motion to dismiss the Complaint will be granted. An appropriate Order will issue.

December 20, 2002
Alexandria, Virginia

/s/James C. Cacheris
UNITED STATES DISTRICT COURT JUDGE

FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

SKIPPY, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	02-1227-A
LIPTON INVESTMENTS, INC.,	)	
	)	
Defendant.	)	

ORDER

[Entered: December 20, 2002]

For the reasons stated in the accompanying Memorandum Opinion, it is hereby ORDERED that:

(1) Defendant's Motion to Dismiss is GRANTED; and

(2) the Clerk of the Court shall forward copies of this Order to all counsel of record.

December 20th, 2002
Alexandria, Virginia

/s/James C. Cacheris
UNITED STATES DISTRICT COURT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

SKIPPY, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	02-1571-A
LIPTON INVESTMENTS, INC.,	)	
ET AL.,	)	
	)	
Defendants.	)	

MEMORANDUM OPINION

[Entered: December 20, 2002]

This case is before the Court on Defendants' Motions to Dismiss for failure to state a claim upon which relief can be granted, pursuant to Federal Rule of Civil Procedure 12(b)(6).

I. Background

This case has a long and complicated history, which involves a substantial amount of litigation before both this court and the Patent and Trademark Office Trademark Trial and Appeal Board (TTAB). Plaintiff Skippy, Inc., ("Plaintiff" or "SI") has continually sought to establish its alleged property right in the name "Skippy." Defendant Lipton

Investments, Inc. ("Lipton") produces and markets peanut butter under the brand name "Skippy" and is the owner of Trademark Registration No. 504,940, which was issued in 1948 and registers the mark "Skippy" for peanut butter.[1] Defendant William Mack Webner ("Webner") represented Lipton's predecessor, CPC International, in a suit brought by Plaintiff in 1980 for trademark infringement and unfair competition regarding use of the name "Skippy." Defendant Stephen M. Trattner ("Trattner") represented Plaintiff in the 1980 suit.

A brief history of the on-going dispute follows. In 1933, Lipton's predecessor in interest, the Rosefield Brothers, applied for a federal trademark registration for the name "Skippy" for peanut butter. That registration was opposed by SI, which at that time held Trademark Registration No. 202,913 for the use of "Skippy" to refer to "cartoons featuring a humorous juvenile character." That Registration lapsed in 1945. The patent office sustained the opposition in 1934. In 1947, Rosefield filed an application for the registration of "Skippy" for its peanut butter under the new federal trademark statute of 1946. That Registration, Number 504,940, was granted in 1948 without opposition. In 1980, Trademark Registration No. 1,129,551 was issued to Plaintiff, covering the use of the mark "Skippy" to refer to a comic strip.

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[1]Plaintiff has also included Bestfoods, Inc., as a defendant. Bestfoods was acquired by CPC International, which was then in turn acquired by Conopco, Inc. On January 11, 2002, Lipton Investments, Inc. acquired Trademark Registration 504,940 from Conopco. Bestfoods no longer exists.

In 1980, Plaintiff filed a Complaint in this court against CPC International, Defendant Lipton's predecessor in interest, alleging trademark infringement and seeking cancellation of Registration No. 504,940. Skippy, Inc. v. CPC Internat'l, 210 U.S.P.Q. 589 (E.D. Va. 1980), aff'd in part, vacated in part, 216 U.S.P.Q. 1061 (4th Cir. 1982), cert. denied (1982) ("Skippy I" or the "1980 suit"). This court found in that proceeding that Plaintiff released the defendant from any and all claims which it may have had against the defendant relating to its use of the name "Skippy" in an agreement signed in December, 1997, and that any claim by Plaintiff that such a release "was obtained by fraud or trickery lack[ed] both evidentiary and legal support." Id. at 593. Accordingly, Plaintiff's claim for injunctive relief against the defendant's use of the name "Skippy" was denied. Id. at 594. Furthermore, the Court denied Plaintiff's prayer that the court order the Commissioner of Patents and Trademarks to cancel all registrations owned by defendant Id. The Fourth Circuit upheld both these actions by the district court.[2] Skippy, Inc. v. CPC Internat'l, 674 F.2d 209 (4th Cir. 1982).

In 1986, Lipton's predecessor, CPC Interational, Inc., brought a claim against SI for infringement of Registration No. 504,940. CPC Internat'l v. Skippy, Inc., 651 F. Supp. 62 (E.D. Va. 1986) ("Skippy II" or the "1986 suit"). As a result of that suit, the court enjoined Plaintiff and Plaintiff's president, Joan Crosby Tibbetts, from licensing or attempting to license the trademark

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[2]The Circuit Court overturned the District Court's holding that the defendant's registration of the "Skippy" mark was incontestable pursuant to 15 U.S.C. § 1115.

"Skippy" for food products and from making misrepresentations to third parties regarding CPC and SI's respective rights to the trademark "Skippy" for food products. Id. at 68. Although the injunction remains as to the licensing portion, the portion enjoining Plaintiff and Tibbetts from certain communication was struck down by the Fourth Circuit on June 2, 2000, as a violation of Plaintiff's right to free speech.

In 1982, Plaintiff filed two registration applications for the marks "Skippy" and "Skippy" with a design for promoting the sale of goods and/or services of others. Lipton's predecessor, CPC International, opposed the registrations on the basis of Registration No. 540,940. Id. In 1987, the TTAB refused registration of the marks. CPC Internat'l v. Skippy, Inc., 3 U.S.P.Q. 2d 1456 (TTAB 1987)

In May, 2001, Plaintiff filed a cancellation petition with the TTAB, seeking cancellation of Registration No. 504,940 for fraudulent procurement and maintenance under 15 U.S.C. § 1064(3). The TTAB denied the petition on the basis of *res judicata*, as the Board determined that the basis for the cancellation petition had already been tried and decided in the 1980 suit, Skippy, Inc. v. CPC Internat'l, 210 U.S.P.Q. 589 (E.D. Va. 1980), and Plaintiff had failed to assert such a claim in the registration proceeding that was decided in 1987, CPC Internat'l v. Skippy, Inc., 3 U.S.P.Q. 2d 1456 (TTAB 1987). On August 19, 2002, Plaintiff filed a Complaint in this Court for adjudication that the trademark cancellation petition was wrongfully

dismissed by the TTAB, pursuant to 15 U.S.C. 1071(b).[3] Civ. A. No. 02-1227.

On October 21, 2002, Plaintiff filed the Complaint in this suit, which seeks, "under the broad equity powers of this court, to set aside two previous judgments obtained through a continuing fraud upon the court, a new trial and other and further relief." (Compl. p. 1). Specifically, Plaintiff asserts that in the 1980 litigation, Lipton's predecessor, CPC International, Inc., and Webner, its attorney, with the complicity of Plaintiff's counsel, Trattner, fraudulently concealed from the Court the 1934 decision of the Patent Office that "necessarily and implicitly acknowledged Plaintiff's exclusive property right in its corporate name 'Skippy.'" (Compl. p. 3). Accordingly, Plaintiff seeks (I) judicial recall of the mandates in the 1980 case and the 1986 case and judicial vacation of the judgments entered in each; (II) rescission of the 1978 "Option Agreement" releasing Lipton from liability for then existing and prior "differences" relating to the name "Skippy"; (III) cancellation of Trademark Registration No. 504,940 and all other trademarks owned by Defendant Lipton that include the word "Skippy"; (IV) a permanent injunction against Lipton against the use of the name "Skippy" as a trademark or service mark for goods or services of any type or as the name of any company, organization, association, or group of any nature; (V) damages in the amount of profits received by Lipton as a result of their, and their related corporate predecessors', knowingly fraudulent, larcenous, and illegal use of Plaintiff's corporate name; and (VI) sanctions against Webner and Trattner for

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[3]Defendant's motion to dismiss in that case is pending.

their misconduct in deceiving the court and Plaintiff in the 1980 case and sanctions against Webner for maintaining and aggravating the deception of the court in the 1986 case and deceiving the Patent and Trademark Office (PTO) regarding Registration No. 504,940 and other marks.

Defendants filed the instant motions to dismiss for failure to state a claim upon which relief can be granted, pursuant to Federal Rule of Civil Procedure 12(b)(6).

II. Standard of Review

A Rule 12(b)(6) motion to dismiss tests the legal sufficiency of the complaint, see Randall v. United States, 30 F.3d 518, 522 (4th Cir. 1994), and should be denied unless "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." De Sole v. United States, 947 F.2d 1169, 1177 (4th Cir. 1991) (citations omitted); see also Conley v. Gibson, 355 U.S. 41, 45-46 (1957).

In passing on a motion to dismiss, "the material allegations of the complaint are taken as admitted." Jenkins v. McKeithen, 395 U.S. 411, 421 (1969) (citations omitted). Moreover, "the complaint is to be liberally construed in favor of plaintiff." Id. In addition, a motion to dismiss must be assessed in light of Rule 8's liberal pleading standards, which require only "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8.

III. Analysis

Defendants assert that Plaintiff's Complaint should be dismissed because (i) the fraud alleged in the Complaint is time barred under Rule 60(b)(3); (ii) the fraud is not pled with particularity as required by Rule 9(b); (iii) the other allegations have previously been raised and decided by this Court such that they are now barred by *res judicata*; and (iv) the allegations should have been raised as compulsory counterclaims in previous suits and thus are now barred.

Count I:

In Count I of the Complaint, Plaintiff seeks judicial vacation of the judgments entered in the 1980 and 1986 cases, as Plaintiff alleges that such judgments were the result of Defendants' perpetration of a fraud on the court during the 1980 litigation. Defendants argue that Plaintiff's attempt to set aside the 1980 judgment of this Court is time-barred under Rule 60(b)(3). That Rule provides that a court may grant a party relief from a judgment for fraud, misrepresentation, or other misconduct of an adverse party. Fed. R. Civ. P. 60(b)(3). However, such motion must be brought within a reasonable time, and no more than one year after the judgment was entered. Fed. R. Civ. P. 60(b). Plaintiff does not appear to dispute that if Rule 60(b)(3) applies, the suit is time-barred, since Plaintiff has known about the alleged fraud since 1984. (Compl. ¶ 18). However, Plaintiff argues that its claim falls under the "Savings Clause" of Rule 60(b)(6), as Defendants committed a fraud on the Court.

In order for Plaintiff's claim for fraud to fall under Rule 60(b)(6) and not under Rule 60(b)(3), Plaintiff must allege a fraud on the court. Great Coastal Express, Inc. v. Internat'l Bhd. of Teamsters, Chauffeurs, Warehousemen & Helpers of Am., 675 F.2d 1349, 1356 (4th Cir. 1982). Otherwise, Rule 60(b)(6) would swallow the other provisions of the Rule and render the one year time limit for Rule 60(b)(3) meaningless. Id. Fraud on the court is the most egregious type of fraud, and covers fraud directed to the judicial machinery such that the court cannot perform its impartial task of adjudging cases. Bright v. Norshipco, 187 F.R.D. 536, 540 (E.D. Va. 1998). Examples of such fraud include bribery of the judge or a juror or other exertion of improper influence over the court. Id. The concept of fraud on the court must be construed narrowly, otherwise it subsumes the fraud set forth in Rule 60(b)(3). Great Coastal Express, 675 F.2d at 1356.

Plaintiff alleges that Defendants committed a fraud on the court by not highlighting the 1934 successful opposition and the grounds for the decision during the 1980 litigation. Plaintiff further asserts that had the Court been made aware of the 1934 decision and that it was decided under the "Name Clause" of the Trademark Act of 1905, the Court would have been required to find for the Plaintiff. Even taking Plaintiff's allegations as true, as the Court must at this stage in the proceedings, Plaintiff has failed to allege a fraud on the Court.

Both the District and Circuit Courts mentioned the 1934 decision in their opinions in Skippy I, illustrating that the courts were aware of its existence. 210 U.S.P.Q. at 591; 674 F.2d at 212. Furthermore, an attorney's due diligence letter from 1954, describing in detail the patent office file regarding the 1934 decision and indicating that SI had prevailed in that action based on the "Name Clause" of the 1905 Trademark Act, was included as Plaintiff's Exhibit 703 in the 1980 litigation. (Compl. ¶ 24). Plaintiff asserts that counsel did not bring this exhibit to the Court's attention and did not argue the "Name Clause" as Plaintiff believes he should have. At most, Plaintiff has alleged a mistake by its attorney in 1980. However, a mistake made by Plaintiff's attorney "generally is not cognizable under Rule 60(b). The Supreme Court has stated that 'keeping [a] suit alive merely because Plaintiff should not be penalized for the omission of his own attorney would be visiting the sins of Plaintiff's lawyer upon the Defendant.'" Bright, 187 F.R.D. at 540 (citing Lloyd v. Carnation Co., 101 F.R.D. 346, 348 (M.D.N.C. 1984) (citing Cline v. Hoogland, 518 F.2d 776, 778 (8th Cir. 1975); Link v. Wabash R.R. Co., 370 U.S. 626, 634 n. 10 (1962))).

The fraud alleged in this case is largely similar to that alleged in Bright, where the plaintiff argued that an order should be vacated because both his counsel and defendants misled the court to the conclusion that Plaintiff was subject to a collective bargaining agreement. Id. In that case, the court found that Plaintiff had not made out a fraud on the court as Plaintiff "merely disagree[d] with the testimony presented to the Court and the conclusion reached by

the Court." Id. Similarly, Plaintiff here has failed to show any fraud on the Court.

Plaintiff admits that the substance of the 1934 decision was submitted to the court in 1980 (in exhibit 703), but argues that counsel should have argued it more forcefully and that the Court's conclusion that the 1933 action only applied to the ability of Lipton's predecessor to register the name "Skippy," not to any use of the name "Skippy," was erroneous. (Compl. ¶ 17). Disagreement with counsel's theory of the case and conclusions by the court do not, however, form a basis for a claim under Rule 60(b)(6), and thus Plaintiff's claim is best classified as a claim under Rule 60(b)(3), general fraud. Accordingly, Plaintiff's fraud allegations are time-barred as falling well outside the one year time period.

Even assuming, arguendo, that Plaintiff has alleged a fraud on the court, such a claim would still be time-barred. Although claims under Rule 60(b)(6) are not required to be brought within one year, the motion must still be made "within a reasonable time period." Fed. R. Civ. P. 60(b). The reasonableness of a party's delay in bringing an action is "generally determined from the time movant discovered or reasonably should have discovered ground for the Rule 60(b) motion." Jones v. City of Richmond, 106 F.R.D. 485, 487 n. 2 (E.D. Va. 1985) (citing Werner v. Carbo, 731 F.2d 204, 207 (4th Cir. 1979)). Plaintiff knew about the alleged significance of the 1934 decision in 1984 (Compl. ¶18), but did not bring a Rule 60(b) action until 2002, 18 years later. The Court does not find an 18 year delay to be reasonable, especially as the parties were involved

in litigation involving the same issues in this Court in 1986 and in the TTAB from 1982 through 1987. Courts have held that delays of mere months in bringing a Rule 60(b) were not reasonable. See, e.g., Jones, 106 F.R.D. at 490 (delay of three months unreasonable); Central Operating Co. v. Utility Workers, 491 F.2d 245, 252 (4th Cir. 1974) (delay of four months unreasonable); Consolidated Masonry & Fireproofing, Inc. v. Wagman Construction Co., 383 F.2d 249, 251 (4th Cir. 1967) (delay of two and one-half months unreasonable). Accordingly, Plaintiff's motion to vacate the 1980 order is time-barred.

Plaintiff also seeks vacation of this court's 1986 judgment, which was based on the *res judicata* effect of the court's 1980 judgment. (Compl. ¶153). Given that Plaintiff's motion to vacate the 1980 judgment is time-barred, there is no basis upon which to vacate the 1986 judgment. Accordingly, Count I of Plaintiff's Complaint will be dismissed in its entirety.

Because Plaintiff's fraud claims are time-barred, the Court need not address whether Plaintiff pled the fraud with particularity as required by Rule 9(b).

Count II:

In Count II of the Complaint, Plaintiff seeks rescission of the 1978 "Option Agreement" on the grounds that it was unfairly and fraudulently obtained. (Compl. ¶155). Defendants assert that the validity of the option agreement was already fully litigated in the 1980 litigation, and therefore such claim is barred by *res judicata*. In Plaintiff's Opposition, Plaintiff

acknowledges that the Option Agreement and release clause contained therein were held binding by this court and the Fourth Circuit in the 1980 litigation. (Pltf. Opp. p. 5). Plaintiff asserts, however, that information regarding the significance of the 1934 decision was not presented to the Court in 1980, and that such information provides further support for the proposition that the Agreement and release were coerced.

The doctrine of *res judicata* bars a second suit involving the same parties of their privies bases on the same cause of action, after a prior adjudication on the merits. Parklane Hosiery Co. v. Shore, 439 U.S. 322, 326 n. 5 (1979). In Skippy I, a suit between SI and CPC International, Lipton's predecessor in interest, the District Court found that "[Plaintiff's] claim that the release was obtained by fraud or trickery lacks both evidentiary and legal support." Skippy I, 210 U.S.P.Q. at 593. *Res judicata* bars not only those claims that were raised and fully litigated, but also "prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding." Brown v. Felsen, 442 U.S. 127, 131 (1979). Courts presume that litigants have "done [their] factual and legal homework" and raised all grounds arising out of the same facts in support of their claims. Peugeot Motors of Am., Inc. v. Eastern Auto Distribs., Inc., 892 F.2d 355, 359 (4th Cir. 1989) (citing Car Carriers, Inc. v. Ford Motor Co., 789 F.2d 589, 596 (7th Cir. 1986)).

Plaintiff asserts that it did not become aware of the significance of the 1934 decision until 1984. (Compl. ¶18). However, Plaintiff's counsel was aware of the decision during the 1980 litigation, and even included a memorandum detailing the basis for the decision as an Exhibit to the court. (Compl. ¶24). Thus, Plaintiff's counsel could have raised the 1934 decision when arguing the fraudulent inducement of the release in 1980, but did not. Accordingly, Plaintiff's current claim for rescission of the 1977 release is barred by *res judicata*.

Count III:

In Count III of the Complaint, Plaintiff seeks cancellation of Trademark Registration 504, 940 and all other trademarks owned by Lipton that include the word "Skippy." The basis for Plaintiff's claim is that Registration 504,940 was procured by the filing of a fraudulent application in the Patent and Trademark Office which contained a false statement of ownership of the "Skippy" name. Plaintiff filed a cancellation petition for Registration No. 504,940 in 2001, and has another suit pending before this Court in which Plaintiff seeks review of the TTAB denial of that petition. Civ. A. No. 02-1227.

In the 1980 suit, Plaintiff pled fraud in the procurement of Registration No. 504,940, and both this court and the Circuit Court found that the Option Agreement released any such claims that SI had. Skippy I, 210 U.S.P.Q. at 593; 674 F.2d at 213-14. As discussed above, the validity of the release in the Option Agreement and its effect on Plaintiff's claim for

fraudulent procurement of Registration No. 504,940 were fully litigated in the 1980 case. Id. Accordingly, Plaintiff's claim is barred by *res judicata*.

Furthermore, even if *res judicata* were inapplicable, Plaintiff's claim that Registration No. 504,940 was fraudulently obtained was required to be brought as a compulsory counterclaim in the 1986 suit under Federal Rule of Civil Procedure 13(a). That Rule provides that:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

Fed. R. Civ. P. 13(a). Plaintiff asserts that it knew the significance of the 1934 decision in 1984. (Compl. ¶18). Thus, the claim was known to SI at the time it was served with the 1986 suit. In that suit, Lipton's predecessor, CPC International, sued Plaintiff and its president, Tibbetts, for infringement of Registration No. 504,940. Plaintiff's assertion that the Registration was fraudulently obtained was a compulsory counterclaim under Rule 13(a). Accordingly, such claim is now waived, and Plaintiff is barred from bringing a claim for cancellation in this action.

Count IV:

In Count IV of the Complaint, Plaintiff asks for a permanent injunction against Lipton's use of the name "Skippy" as a trademark or service mark for good or services of any type or as the name of any company, organization, association, or group of any nature. (Compl. ¶162). The basis for such a request, however, is not clear. The Court will assume that the basis for the injunction is the alleged fraudulent procurement of Registration No. 504,940 by Lipton (as can be inferred from reading the Complaint in its entirety). As discussed above, Plaintiff's claim for cancellation of that Registration is barred. Accordingly, it cannot be the basis for injunctive relief.

Count V:

In Count V of the Complaint, Plaintiff seeks damages in the amount of profits received by Lipton "as a result of their, and their related corporate predecessors', knowingly fraudulent, larcenous, and illegal use of Plaintiff's corporate name," as provided under 15 U.S.C. § 1120. That Section states that

> any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

15 U.S.C. § 1120. In order to receive damages under that Section, Plaintiff must prove Registration No. 504, 940 was fraudulently procured. As discussed in detail above, any such claim by Plaintiff is barred by *res judicata*, as Plaintiff brought a counterclaim alleging fraudulent procurement of the Registration in the 1980 suit, and although 15 U.S.C. § 1120 was not specifically invoked, *res judicata* bars all claims arising out of the same factual basis, whether or not they were raised in the prior proceeding. Peugeot Motors of Am., 892 F.2d at 359. Accordingly, Plaintiff's claim for damages under 15 U.S.C. § 1120 is now barred.

Count VI:

In Count VI of the Complaint, Plaintiff seeks sanctions against Defendants Trattner and Webner, in the amount of no less than $500,000 and $750,000, respectively, for their alleged perpetration of a fraud on the court during the 1980 litigation and beyond. Plaintiff admits that it was waived any claim for professional misconduct or negligence that it may have once had against Trattner. (Compl. ¶7, 169). Instead, the basis of Plaintiff's claim for sanctions is 28 U.S.C. § 1927 and the "inherent powers of the federal courts." (Compl. ¶ 169).

28 U.S.C. § 1927 provides, in pertinent part:

> any attorney who so multiplies the proceedings in a case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

28 U.S.C. § 1927. Plaintiff has not alleged that any action taken by Trattner or Webner in any way resulted in a multiplication of the proceedings or any extra costs or fees incurring to Plaintiff. Furthermore, Plaintiff does not tie the $500,000 and $750,000 figures to any excess fees or costs, as required by the statute. Accordingly, Plaintiff has failed to state a claim under 28 U.S.C. § 1927.

Therefore, if the Court is to award any sanctions, it must do so using its inherent equitable powers. Sanctions under a court's inherent powers are in the discretion of the trial court, and must be "exercised with the greatest restraint and caution, and then only to the extent necessary." United States v. Shaffer Equipment Co., 11 F.3d 450, 461 (4th Cir. 1993). In this case, Plaintiff knew about the alleged misconduct of attorneys Trattner and Webner in 1984. (Compl. ¶18.) Plaintiff did not, however, assert any claim for sanctions until now, over 18 years after Plaintiff was fully aware of the nature and substance of its potential claim. The court finds Plaintiff's delay especially inexcusable given the parties' repeated litigation over the years, providing Plaintiff many opportunities to bring such a claim.

Because Plaintiff seeks relief under the Court's inherent equitable powers, equitable doctrines such as laches apply. The decision to apply the doctrine is soundly in the Court's discretion, and will be reviewed only for an abuse of that discretion. See Skippy, Inc. v. CPC Int'l, Inc., 674 F.2d 209, 212 (4th Cir. 1982). In this case, the Court finds Plaintiff's delay of 18 years unreasonable, particularly, as noted above, in light of

the substantial opportunity Plaintiff had to ask for such relief in earlier proceedings. Accordingly, the Court will dismiss Plaintiff's claim for sanctions.

IV. Conclusion

For the foregoing reasons, Defendants' Motion to Dismiss will be granted. An appropriate Order will issue.

December 20th, 2002
Alexandria, Virginia

/s/James C. Cacheris
UNITED STATES DISTRICT COURT JUDGE

FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

SKIPPY, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	02-1571-A
LIPTON INVESTMENTS, INC., ET AL.,	)	
	)	
	)	
Defendants.	)	

ORDER

[Entered: December 20, 2002]

For the reasons stated in the accompanying Memorandum Opinion, it is hereby ORDERED that:

(1) Defendant's Motion to Dismiss is GRANTED; and

(2) the Clerk of the Court shall forward copies of this Order to all counsel of record.

December 20th, 2002
Alexandria, Virginia

/s/James C. Cacheris
UNITED STATES DISTRICT COURT JUDGE

UNITED STATES PATENT AND TRADEMARK OFFICE
TRADEMARK TRIAL AND APPEAL BOARD
2900 Crystal Drive
Arlington, Virginia 22202-3513

Cancellation No. 32,070

SKIPPY, INC.

v.

CPC INTERNATIONAL INC.[1]

Mailed: June 18, 2002
[Entered: June 18, 2002]

Wolfson

Before Simms, Cissel and Rogers, Administrative Trademark Judges.

By the Board:

Petitioner, Skippy, Inc., is the successor in interest to Percy Crosby, creator of the "Skippy" cartoon character, a humorous, juvenile character that appeared in a syndicated cartoon comic strip from about 1923 to 1945. Petitioner holds registrations for

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[1]The Board instituted this case with Bestfoods as respondent; however, Bestfoods has merged with and into CPC International Inc. Change of name recorded with the U.S. Patent and Trademark Office at Reel No. 1822, Frame No. 0867.

the mark SKIPPY for "publication-namely, a cartoon comic strip"[2] and for "dolls based on a cartoon character."[3]

On May 7, 2001, petitioner filed a petition to cancel respondent's registration for the mark SKIPPY for "peanut butter"[4] on the ground of fraudulent procurement and maintenance of the registration, claiming that respondent's predecessor-in-interest, Rosefield Packing Co., Ltd., failed to inform the U.S. Patent and Trademark Office of the outcome of Opposition No. 13,134 (discussed more fully *infra*) at the time it applied for the registration in 1947, and later falsified the affidavit it filed under Section 15 of the Trademark Act (15 U.S.C. §1065) in support of the registration, in 1954.[5]

---

[2]Registration No. 1,129,551, issued January 22, 1980; affidavit Section 8 accepted; affidavit Section 15 received; renewed.

[3]Registration No. 2,163,389, issued June 9, 1998.

[4]Registration No. 504,940, issued December 21, 1948, to Rosefield Packing Co., Ltd.; affidavit Section 8 accepted; affidavit Section 15 received; renewed; record title in CPC International Inc.

[5]Petitioner filed the petition to cancel on May 7, 2001, and amended the petition on May 10, 2001. Petitioner thereafter, on May 14, 2001, further amended the petition without either seeking prior leave of the Board or showing respondent's written consent to the amendment. Accordingly, petitioner's May 14, 2001 amendment is denied. See Fed. R. Civ. P. 15(a); Trademark Rule 2.115; and TEMP §507.

In lieu of filing an answer, respondent filed a motion to dismiss the petition to cancel.[6] Petitioner filed a response in opposition to the motion, and respondent filed a reply brief, which we have considered.[7]

In support of its motion to dismiss, respondent contends that in 1986, it filed oppositions (which were consolidated) against two trademark applications filed by petitioner for the mark SKIPPY for "promoting the sale of goods and/or services of others by rendering assistance in devising advertising and merchandising programs";[8] that the oppositions were based on respondent's trademark Registration No. 504,940; that petitioner had moved for leave to amend its answer to assert a counterclaim to cancel the registration during the consolidated opposition proceeding, but that

---

[6]The motion was timely filed on September 10, 2001 in accordance with the date set for answer in the Board's August 10, 2001 institution order.

[7]The Board may, in its discretion, consider a reply brief. However, no further papers in support of or in opposition to a motion will be considered by the Board. See Trademark Rule 2.127(a). Petitioner's surreply and respondent's sur-surreply have accordingly been given no consideration. The parties are advised that the filing of such papers accomplishes no more than a waste of their own resources and those of the Board. See *No Fear Inc. v. Ruede D. Rule*, 54 USPQ2d 1551, 1553 (TTAB 2000).

[8]Opposition No. 65,712 to trademark application Serial No. 206,445; Opposition No. 65,713 to trademark application Serial No. 207,476.

petitioner's motion was denied as untimely; and that respondent's consolidated oppositions were sustained.[9] Therefore, respondent argues, petitioner is barred under the doctrine of *res judicata* from now seeking to cancel the same registration that it was unable to cancel by way of a counterclaim in 1986.[10]

---

[9]The final decision sustaining the consolidated oppositions was published at *CPC International Inc. v. Skippy, Inc.*, 3 USPQ2d 1456 (TTAB 1987).

[10]On the closing date of CPC International's rebuttal testimony period in the consolidated oppositions (April 10, 1986), Skippy Inc. filed (a) an "amended answer and counterclaim" and (b) a separate petition to cancel two of CPC's registrations (Registration No. 504,940, which had been pleaded, and Registration No. 1,248,537, for the mark SKIPPY CREAMY PEANUT BUTTER and Design for "peanut butter, " which had not been pleaded). The Board allowed Skippy Inc.'s petition to cancel the non-pleaded registration as a separate petition (which Skippy Inc. subsequently withdrew), but denied both its compulsory counterclaim and its separately-filed petition to cancel Registration No. 504,940. In doing so, the Board expressed its view that "A petition for cancellation of opposer's pleaded Registration No. 504,940 is a compulsory counterclaim under Rule 2.114(b)(2)(i), and applicant is not free to file a separate such cancellation petition." *CPC International Inc. v. Skippy, Inc., Opp. Nos. 65,712/65,713, Board order dated May 29, 1986, p. 4 (emphasis added).* Board refunded Skippy, Inc. the filing fee for having filed its separate petition to cancel Registration No. 504,940.

Petitioner responds to the motion to dismiss by contending that it is the decision in Opposition No. 13,134[11] that governs the outcome in this case; that applicant therein (respondent's predecessor-in-interest) had applied to register SKIPPY for peanut butter in 1933, but was successfully opposed by petitioner; and the opposition was sustained.[12] Petitioner argues that respondent committed fraud when respondent's predecessor failed to reveal the decision in Opposition No. 13,134 to the U.S. Patent and Trademark Office at the time it applied for the mark in 1947 and at the time it filed the Section 15 affidavit in 1954.

Petitioner's arguments, however, are barred by the *res judicata* effect of the 1986 Board decision wherein petitioner unsuccessfully sought to assert a counterclaim to cancel respondent's registration. A defense attacking the validity of a registration pleaded in an opposition is a compulsory counterclaim if grounds for such counterclaim exist at the time when the answer is filed. See Trademark Rule 2.106(2)(i); and TBMP §318.02. Petitioner was required to raise any invalidity claims it may have had against Registration No. 504,940 in a timely manner in the consolidated

---

[11]*Skippy, Inc. v. Rosefield Packing Co., Ltd.*, Opposition No. 13,134, filed September 6, 1933; opposition sustained January 9, 1934. The opposition file for this proceeding was apparently destroyed sometime around 1965.

[12]The opposition had been based on the "Name Clause" of the 1905 Trademark Act. While the "Name Clause" is no longer a part of the Trademark Act, our decision herein would be the same regardless of the basis upon which Opposition No. 13,134 had been sustained.

opposition proceedings. Petitioner did not do so.[13] If any grounds existed for attacking the validity of Registration No. 504,940 in 1986 (and we do not intend to imply that they did), the opportunity for raising such grounds has long since been exhausted.

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[13]Moreover, the decision in Opposition No. 13,134 has been of public record since it issued in 1934, and petitioner's attempt (on April 10, 1986) to cancel Registration No. 504,940 was based on the same information that petitioner is attempting to present in this case. Petitioner's claim that new evidence has been discovered that was not previously considered by a court or the Board, is not well-taken.

The "new" evidence consists of a 1954 memo by a trademark lawyer that describes the contents of Opposition No. 13,134, and a 1954 letter by another lawyer for respondent that advises respondent that Opposition No. 13,134 is not mentioned in a title report. Neither document changes the outcome of the decision herein. The trademark lawyer's memo would likely be considered hearsay as to the contents of the opposition file; in addition, whether judgment was reached in Opposition No. 13,134 after a decision on the merits or upon default is irrelevant to the question of whether the result is claim preclusive of our decision herein. *See Chromalloy American Corporation v. Kenneth Gordon (New Orleans, Ltd.)*, 736 F.2d 694, 222 USPQ 187 (Fed. Cir. 1984); *Mother's Restaurant Incorporated v. Mama's Pizza Inc.*, 723 F.2d 1566, 221 USPQ 294 (Fed. Cir. 1983). Moreover, the decision by the attorney who prepared the due diligence report (apparently prepared at the time of an assignment) not to mention the opposition has little relevance to whether a Section 15 affidavit filed at a different time would be fraudulent; nor has petitioner shown that but for this decision, knowledge of the opposition would have led to the affidavit either not having been filed or not having been acknowledged by the Patent and Trademark Office.

Accordingly, respondent's motion to dismiss is granted; and the petition for cancellation of Registration No. 504,940 is dismissed with prejudice.[14]

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[14]Petitioner's present petition is also barred by *res judicata* based on court decisions issued in 1980 and 1986. In *Skippy, Inc. v. CPC International, Inc.*, 210 USPQ 589, (E.D. Va. 1980); aff'd in part at 674 F.2d 209, 216 USPQ 1061 (4th Cir. 1982), the court denied petitioner's prayer "that this Court enter an order directing the Commissioner of Patents and Trademarks to cancel all federal trademark registrations owned [by respondent], "*Id.*, at 210 USPQ 594, commenting that CPC International "has spent millions to advertise and promote their 'Skippy' peanut butter. To require them to adopt a new name for their peanut butter after 47 years of uninterrupted use would be grossly unfair." *Ibid.*

In *CPC International Inc. v. Skippy, Inc., et al.*, 651 F. Supp. 62, 231 USPQ 811 (E.D. Va. 1986), the court permanently enjoined Skippy, Inc. and Joan Crosby Tibbetts personally from "communicating in any manner with anyone... that CPC does not have rights to the trademark SKIPPY for food products." *Id.*, at 651 F. Supp. 65. Petitioner's attempt herein to cancel respondent's registration is barred by the earlier court decisions.

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 03-1085
CA-02-1571-A

SKIPPY INCORPORATED
Plaintiff - Appellant

v.

LIPTON INVESTMENTS, INCORPORATED; BESTFOODS, INCORPORATED; WILLIAM M. WEBNER; STEPHEN M. TRATTNER
Defendants - Appellees

Filed: November 7, 2003
[Entered: November 7, 2003]

On Petition for Rehearing and Rehearing En Banc

The appellant's petition for rehearing and rehearing en banc was submitted to this Court. As no member of this Court or the panel requested a poll on the petition for rehearing en banc, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

IT IS ORDERED that the petition for rehearing and rehearing en banc is denied.

Entered for a panel comprised of Judge Wilkinson, Judge Widener, and Judge Williams.

For the Court,

/s/Patricia S. Connor
CLERK

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 03-1086
CA-02-1227-A

SKIPPY INCORPORATED
Plaintiff - Appellant

v.

LIPTON INVESTMENTS, INCORPORATED
Defendant - Appellee

Filed: November 7, 2003
[Entered: November 7, 2003]

On Petition for Rehearing and Rehearing En Banc

The appellant's petition for rehearing and rehearing en banc was submitted to this Court. As no member of this Court or the panel requested a poll on the petition for rehearing en banc, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

IT IS ORDERED that the petition for rehearing and rehearing en banc is denied.

Entered for a panel comprised of Judge Wilkinson, Judge Widener, and Judge Williams.

For the Court,

/s/Patricia S. Connor
CLERK

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 81-1043(L)
(CA-80-250-A)

SKIPPY INCORPORATED,
Plaintiff - Appellant,

versus

LIPTON INVESTMENTS, INCORPORATED,
formerly known as CPC International, Incorporated,
Defendant - Appellee.

Filed: December 22, 2003
[Entered: December 22, 2003]

ORDER

Appellant has filed a motion to recall the mandate. Appellee has filed a response in opposition to the motion and appellant has filed a reply in support of the motion.

The Court denies the motion.

Entered at the direction of Judge Wilkinson with the concurrence of Judge Widener and Judge Williams.

For the Court

/s/Patricia S. Connor
Clerk

CPC International Inc.
v.
Skippy Inc.

Patent and Trademark Office Trademark Trial and Appeal Board

Decided May 28, 1987

United States Patents Quarterly Headnotes

TRADEMARKS AND UNFAIR COMPETITION

[1] Conflicts between marks (infringement) - Likelihood of confusion - Relatedness of goods - Goods similar (§ 335.0305.05)

Confusion is inevitable from contemporaneous use of opposer's registered mark "Skippy" for peanut butter and applicant's "Skippy" and "Skippy" and design for promoting goods and services of others, since applicant's services are broad enough to encompass merchandising of peanut butter, and since opposer has licensed its peanut butter mark for collateral products.

TRADEMARKS AND UNFAIR COMPETITION

[2] Acquisition, assignment, and maintenance of marks - Acquisition through use - In general (§ 305.0501)

Practice and procedure in Patent and Trademark Office - Opposition and cancellation - In general (§ 325.0305.03)

Applications for registration filed by applicant whose marks were not in use on indicated services as of filing dates of applications, and whose specimens of record do not demonstrate any such use on or prior to filing date, are void.

*1457 Trademark oppositions No. 65,712, to application Serial No. 206,445 and No. 65,713, to application Serial No. 207,476. Oppositions sustained.

W. Mack Webner, and Nies, Webner, Kurz & Bergert, both of Arlington, Va., and Phillips M. Regnault, Englewood Cliffs, N.J., for CPC International Inc.

Skippy Inc., pro se.

Before Allen, Rooney and Cissel, Members.

Allen, Member.

Applications have been filed by Skippy, Inc. to register the marks SKIPPY [FNI] and SKIPPY and design, [FN2] both for promoting the sale of goods and/or services of others by rendering assistance in devising advertising and merchandising programs. Applicant recites a date of first use and first use in commerce of December 9, 1925 in both applications.

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Registration of both applications has been opposed [FN3] by CPC International, Inc. on the grounds that opposer and its predecessors have used the mark SKIPPY in connection with food products since on or before February 1, 1933; that opposer is the owner of Registration No. 504,940 for SKIPPY for peanut butter; [FN4] that opposer's use and that of its licensees and the promotion of the mark has been so extensive that its mark has come to be associated with opposer for a wide variety of goods and services; that the services listed in applicant's applications are so broad as to encompass the sale of peanut butter or other food products and/or the advertising and merchandising of peanut butter and other food products or merchandise used in the promotion of peanut butter and other food products; that applicant's marks SKIPPY and SKIPPY and design when applied to or used for applicant's services so resembles the mark SKIPPY previously registered by opposer for peanut butter as to be likely to cause confusion, mistake or to deceive; that applicant's applications are fraudulent because the specimens submitted do not describe the services claimed in the application and because applicant does not offer the services set forth in the applications and did not offer such services at the time of filing of its applications; that the applications are fraudulent because the alleged date of first use in 1925 was not for the services described in the applications; that applicant's use of the mark SKIPPY for any purpose ceased in 1945 and any use thereafter has been so sporadic and nominal as not to constitute trademark or service mark use and all rights

applicant or its predecessors had in the marks have been abandoned; that applicant's use of it's mark SKIPPY falsely suggests a connection with opposer and its mark SKIPPY; that applicant is not now the owner of the mark sought to be registered and has not now, and never has had extensive use thereof in respect of the services claimed. In its answers, applicant denied the salient allegations of the oppositions.

*1458 The record consists of files of the opposed applications; opposer's registration of SKIPPY for peanut butter; [FN5] trial testimony on behalf of opposer, including exhibits; portions of discovery depositions of Joan Tibbetts, president of applicant [FN6] and various documents relevant thereto, introduced by opposer with its notice of reliance filed November 29, 1985. Applicant took no testimony and introduced no evidence. Only opposer filed a brief. [FN 7] Both parties participated in an oral argument of the issues at a hearing held for this purpose. [FN 8]

Opposer is an international corporation which manufactures, distributes and sells, inter alia, branded consumer grocery products. Among its brands are HELLMANN'S for mayonnaise, MAZOLA for corn oil, KNORR for soups and sauces, KARO for syrup, THOMAS' for breads and muffins, MUELLER'S for pasta products and the mark here relied on, SKIPPY for peanut butter.

CPC and its predecessors in interest have sold SKIPPY brand peanut butter since at least as early as February 1, 1933 and the mark has been used continuously for that product since that date. Annual

sales of SKIPPY peanut butter over the last 28 years have increased from approximately 28 million dollars to approximately 150 million dollars. The brand is advertised in magazines, on television and at the points of its sale. The SKIPPY mark is also promoted by price-off offers to consumers and to the trade; offers of collateral "premium" products such as athletic equipment, picnic coolers and telescopes; "tie-ins" with good deeds programs, by sending recipes for peanut butter products to food editors of newspapers and magazines; and tie-in promotions with other corporations and their product or service. Opposer has spent, annually, from over two million dollars in 1958, increasingly, to approximately seventeen million dollars in 1985 for advertising and promoting its SKIPPY brand products.

From time to time, opposer has licensed the use of its SKIPPY mark for use on various products, e.g. clothing, plastic drinking cups, and greeting cards. Additionally, opposer has distributed promotional items bearing the SKIPPY mark as premiums. These items include book bags, banks and Rockwell prints.

Absent any evidentiary showing by applicant, the only factual information about Skippy, Inc. comes from the discovery deposition testimony put in by opposer and that derived from the findings of the court in the civil litigation in 1980 between the parties reported as Skippy, Inc. v. CPC International Inc., 210 USPQ 589 (E.D. Va. 1980), aff'd in part, vacated in part, 216 USPQ 1061 (4th Cir. 1982), cert. denied (1982).

Skippy, Inc. was founded by Percy Crosby, a cartoonist who had a popular cartoon strip in the 1930's. The cartoon ceased syndication in 1945 and in the same year, Crosby's registration of SKIPPY for "cartoons depicting a humorous juvenile character" expired for failure of its renewal. Crosby was committed as an incompetent in 1949 and died in 1964. Except for a license to a doll company for a limited edition doll, and some pencils distributed as promotional items, little was done by Skippy, Inc. to exploit the cartoon character or name from 1945 to 1980 when the mark SKIPPY was reregistered for the cartoon title. In fact, the record here makes clear that applicant has been inactive from 1947 through 1969 with the exception that it obtained revenue in 1965 from the proceeds of a life insurance policy on Percy Crosby's life, and in 1978 when opposer paid Skippy, Inc. for an agreement which included an option to use the cartoon artwork of Mr. Crosby. Thus, Skippy, Inc. has no employees, has never advertised and has never even had a telephone listing under its corporate name.

The two opposed applications were filed based on the alleged use by Skippy, Inc. of the marks SKIPPY and SKIPPY and Design on blank stationary showing the letterhead depicted (in reduced size) below and a news release of World Wide Licensing and Merchandising Corporation, 29 East *1459 21st Street, New York, N.Y., 10010, depicting the same mark and the following copy.

<View image 2 on westlaw.com or print it using FAX.>

SKIPPY is alive and well; and World Wide Licensing has the exclusive merchandising rights: It's official! World Wide Licensing and Merchandising Corporation has been appointed exclusive licensing agent for the "SKIPPY" property. The agreement was concluded between Bob Rosen, President of World Wide and Mrs. Joan Crosby Tibbetts, President of Skippy, Inc. and daughter of the late famous cartoonist and fine artist, Percy Crosby who created the "SKIPPY" character and friends.

In 1923, Percy Crosby presented "SKIPPY" in LIFE for the first time. The wistful little towheaded philosopher was an immediate sensation. The comic strip of his adventures was read by millions throughout the world and is being reprinted still. In addition to being known as "The Caroonist's Cartoonist", he had acquired fame for his fine art and sports drawings; which were exhibited in the United States and Europe's major museums and art galleries.

World Wide and Skippy, Inc. will join efforts in public relations, and the licensing of diversified products. Two of the largest users of "SKIPPY", are CPC/BEST FOODS Peanut Butter and Peanuts and NATIONAL PET FOODS, dog and cat food products.

The application was refused registration in part because the specimens did not evidence service mark use and this refusal was overcome based in part on applicant's representation that "[in] addition to use in connection with the comic strip, the mark and character are used in connection with the licensing of a wide variety of other goods including such items as pens and pencils, dolls, motion pictures and the like." (Response dated September 17, 1980.) The response was accompanied by substitute specimen letters on applicant's letterhead stationary and a declaration stating that they were "of a type which were in use prior to the filing date of the application." Only one of the additional specimens bears a date prior to the filing date of the application. This one is a page of a letter to "Mr. Pete Martin" noting that Martin Beverage Company no longer uses SKIPPY as a name for its soft drink and suggesting that it take a license from Skippy, Inc.

As the evidence clearly shows, applicant had not as of either filing date (March 9 and March 15, 1979) offered any services of advertising, promoting or merchandising the goods or services of others. All it had done as of that date was to try to license its cartoon portfolio but it had not been successful at such licensing attempts. The use of a mark in connection with advertising, promotion and preparatory services to be available in the future but not yet available cannot support registration. In re Port Authority of New York and New Jersey, ___ USPQ2d ___, Serial No. 406,220, slip op., 8 (TTAB, April 9, 1987); In re Sanger Telecasters, Inc. 1 USPQ2d 1589, 1590 (TTAB 1986). Moreover, there are disturbing indications in this file

which cast serious doubt about whether the only document in the file purporting to demonstrate use of the mark prior to the filing date was even in existence prior to either filing date.

The only issues which we have to decide are (i) whether the registration of SKIPPY and SKIPPY and Design for the service of "promoting the sale of goods and/or services of others by rendering assistance in devising advertising and merchandising programs" is likely to cause confusion, mistake or deception, as to the association, sponsorship or origin of such service with the owner or origin of the trademark SKIPPY for peanut butter; [FN9] and (ii) whether the applications to register SKIPPY and SKIPPY and Design for services which have never been offered or rendered and which are unsupported by the specimens were fraudulently filed and maintained.

> [1] Concerning the first issue, confusion is not only likely; it is inevitable. In the first place, the identification of services in respect of which registration is sought is broad enough to encompass rendering the services in connection with the merchandising of peanut butter. Potential clients of applicant's services in connection with peanut butter are bound to think the services have some connection with opposer's famous SKIPPY peanut butter brand. Indeed, if circulated, the promotional brochure of World Wide Licensing and

Merchandising Corporation, set forth, supra, strongly implying (last two sentences) that Skippy, Inc. and CPC International, *1460 Inc., were associated in Skippy, Inc.'s venture is bound to encourage this genre of confusion among prospective clients. Moreover, applicant's president frankly stated in her 1985 deposition that food companies, including peanut butter manufacturers, were among the potential clients for the services of Skippy, Inc. and that use of the mark SKIPPY on such products would be part of the licensing package it would offer them. [FN10] All of these prospective activities greatly enhance the likelihood that source confusion and deception will occur. The likelihood of confusion is further enhanced by the fact that opposer has licensed its peanut butter trademark for collateral products. Finally, Mrs. Tibbitts virtually conceded this issue to opposer by giving deposition testimony concerning an instance of actual confusion which occurred during her discussions with the Martin Beverage Company. The testimony follows:

BY MR. WEBNER

Q364 [On] January 16, 1979, it appears as though you wrote a letter to a Mr. Pete Martin of Martin Beverage Company. Are you familiar with that document? It

appears as though there is only one page of that document here.

A Yes.

Q365 That is all that appears to be in the [application] file. Are you familiar with this letter?

A Yes.

Q366 And you advised Mr. Martin that you are apparently engaged in licensing the Skippy character.

A Uh-huh.

Q367 It says here that Mr. Martin had dropped the Skippy name, so I gather that they had once made the Skippy beverage that you are talking about?

A Yes. That's an example of - I believe one of the reasons this was submitted as an exhibit is that our counsel, Mr. Cleary, was aware at the time and as amused as I was that Pete Martin of Martin Beverage admitted to me they took the name Skippy in 1939 to compete with Mission Orange. They discontinued the name in approximately 1973 or '74 because they were afraid that Percy Crosby's company was going to come and stop them, and I said, "What

> was the name of Percy Crosby's company?"
>
> He said, "You know, the peanut butter people, Skippy." What else could be a better example of actual confusion?

(Tibbitts 1983 deposition, 111-112.)

Although what Mr. Martin told Mrs. Tibbetts is obviously hearsay, any objection to its admissibility was obviously waived by Mrs. Tibbetts who both gave the testimony and, representing herself pro se at the deposition, did not object.

> [2] Concerning issue (ii), we do not believe the evidence before us provides a sufficient basis for determining that applicant's actions in connection with the filing of the applications were with fraudulent intent. On the other hand, there is no doubt whatsoever that the marks were not in use on the indicated services as of the filing dates of the applications and, in view of what we have said above, we also conclude that the specimens of record do not demonstrate any such use on or prior to the filing dates. Accordingly, both applications are void ab initio. Community of Roquefort v. Santo, 443 F.2d 1196, 170 USPQ 205 (CCPA 1981); Pan American Life Insurance Co. v.

Federated Mutual Insurance Co., 226 USPQ 914 (TTAB 1985).

DECISION: Both oppositions are sustained and both marks are refused registration.

FN1 Application Serial No. 206,445 filed March 7, 1979.

FN2 Application Serial No. 207,476 filed March 15, 1979.

FN3 The oppositions were consolidated by the Board on August 2, 1982, upon applicant's motion with opposer's consent.

FN4 Registration No. 504,940, issued Dec. 21, 1948, to Rosefield Packing Co., Ltd.; affidavit § 8 accepted, § 15 received; renewed; record title in CPC International Inc. A status and title copy of the pleaded registration was made of record in this case by means of an order therefor accompanying the opposition pursuant to the rule then in effect. Trademark Rule 37 CFR § 2.122(b) (1981). The rule has since been changed.

FN5 Supra, note 4.

FN6 The depositions were taken after the close of the period for discovery as counsel for opposer and (then) counsel

for applicant had agreed on September 13, 1985.

FN7 Mrs. Tibbetts read a prepared statement during the time allotted for applicant's argument at the oral hearing and left copies of the statement with the Board. However, the written statement cannot, obviously, serve as applicant's brief since to accept it as such would foreclose opposer's right to file a reply brief. See, Trademark Rule 37 CFR § 2.128(a)(1)(1986).

FN8 Mrs. Tibbetts appeared pro se for applicant. Although not represented by counsel at the oral argument, applicant had previously been represented by no less than five experienced trademark attorneys, all of whom withdrew from the case.

FN9 In that opposer owns a registration of SKIPPY for peanut butter and the validity of that registration has not been challenged by applicant in a counterclaim or petition for cancellation, priority is not an issue. King Candy Co. v. Eunice King's Kitchen, Inc. 496 F.2d 1400, 182 USPQ 108 (CCPA 1975). On the last day of the rebuttal testimony period, applicant had moved to amend its answer to incorporate a counterclaim for cancellation. However the motion was

denied as untimely. Although the petition was ordered to be processed separately from the opposition, applicant subsequently withdrew the petition.

FN10 BY MR. WEBNER

Q739 Have you sought out any food product companies to undertake your services...in your applications?

A Yes.

Q740 Can you say whom you have contacted?

A Absolutely not.

Q741 But you have contacted some.

A The food industry is - I've done enough inquiry about who CPC supplies and stuff like that. This is very privileged.

Q742 Have you contacted any peanut butter manufacturers other than CPC to see if they want to use Skippy?

A We are in the process of looking into that...

(Tibbetts, 1985 deposition, 190-1.)

P.T.O. T.T.A.B.

3 U.S.P.Q.2d 1456

END OF DOCUMENT

SKIPPY, INC.

v.

CPC INTERNATIONAL, INC.

District Court, E.D. Virginia, Alexandria Div.

No. 80-250-A

Decided: Nov. 24, 1980
[Entered: Nov. 24, 1980]

Lewis, Senior District Judge.

This suit for federal and common law trademark infringement and unfair competition was brought under the Federal Trademark Act of 1946, 15 U.S.C. § 1051, et seq., and the common law of Virginia.

The plaintiff charged the defendant with infringement of its registered "Skippy" trademark, and sought monetary damages and declaratory and injunctive relief.

The defendant denied infringement and asserted the affirmative defenses of: laches - estoppel - release - abandonment and incontestability; and counter-claimed for breach of contract and declaratory and injunctive relief.

In its answer to the counter-claim, the plaintiff alleged fraud on the part of the defendant in registering "Skippy" as its trademark for its peanut butter products.

The plaintiff's claim for monetary damages was stricken by Judge Bryan on the grounds of laches and estoppel, and the matter was set down for plenary hearing on the parties' respective claims for declaratory and injunctive relief.

The evidence received discloses that Percy L. Crosby, in March of 1923, created a comic strip based primarily upon the activities of a male child he named "Skippy." He used a white, slat fence as a background for messages written by "Skippy."

On September 8, 1925, Crosby obtained a federal trademark #202,913 for the mark "Skippy" for the title of cartoons depicting a humorous juvenile character.

This comic strip became quite popular and was syndicated to newspapers throughout the country.

"Skippy, Inc." was chartered in Delaware in 1932; Crosby transferred and assigned certain of his properties, reportedly including rights to "Skippy" to this corporation in return for stock (however, no transfer or assignment of his rights in the trademark "Skippy" was recorded in the United States Patent and Trademark Office). He served as President of the corporation until 1945.

Crosby wrote several novels and books about "Skippy," some of which were serialized in magazines and in the movies.

In 1931, General Mills, in promoting its breakfast cereal "Wheaties," sponsored a radio program entitled, "Skippy."

***591** "Skippy" dolls, pens and pencils were manufactured and produced by others under license from Skippy, Inc.

King Features' right to syndicate the "Skippy" comic strip terminated on December 8, 1945.

In 1945, the 1925 federal trademark expired.

In 1947, Skippy, Inc. retained the Al Dvorin Ad Agency to promote and license its "Skippy" property - the Agency worked on developing radio scripts, cartoon projects for the Saturday Evening Post, and so forth.

In 1949, George Borgfeldt and Co. assigned its registered trademark No. 296,463 for the use of the mark "Skippy" as applied to toy figures to Crosby.

In early 1949, Mr. Crosby was committed to the Kings Park Hospital on the grounds of incompetency - from 1949 to 1959, his wife handled the business of the corporation until her death in 1959. During this period, the corporation considered and investigated prospective purchasers of the "Skippy" comic strip, and explored the possibility of "Skippy" movies, radio and television programs.

In 1955, the corporation transferred the television and commercial rights to "Skippy" to a new subsidiary corporation (Skippy Enterprises, Inc.).

Upon the death of Mrs. Crosby, the affairs of Skippy, Inc. were under the direction of the Lafayette National Bank, as committee of Percy L. Crosby, and Rose L. Stein, executor of the estate of Mrs. Crosby, until Mr. Crosby's death in 1964.

After protracted litigation, the two estates were settled and the rights previously granted to Skippy Enterprises, Inc. were returned to Skippy, Inc. with majority control of Skippy, Inc. being vested in Percy Crosby's children.

Joan Crosby Tibbetts was elected President of Skippy, Inc. in 1968. During the period from 1968 to 1980, "Skippy" was republished in various and sundry magazines and cartoon books, and used in radio programs and movies - and a limited number of "Skippy" dolls, pens and pencils were sold and distributed.

In June of 1979, plaintiff entered into another agreement with King Features for the syndication and merchandising of the "Skippy" name and property. This agreement expired in June of 1980.

On June 29, 1978, the plaintiff filed for a United States trademark registration for the "Skippy" name, which was issued in January of 1980.

Two additional applications were filed for the registration of the "Skippy" name in conjunction with the character as a service mark for merchandising services. These applications are still pending.

The defendant CPC International's claim to the right to use the name "Skippy" for its peanut butter was acquired via other corporations from the Rosefield Packing Company.

Rosefield, upon the advice and recommendation of its trademark consultants, began to use the trademark "Skippy" on its peanut butter products in 1933 - the Rosefield Brothers applied for a federal trademark registration for the name "Skippy" for peanut butter in June of that year. In September of 1933, Skippy, Inc. filed a notice of opposition - although the records of the patent office have been destroyed, the patent office apparently sustained the opposition without a hearing on the merits.

Since this action on the part of the Trademark Examiner applied only to registrability, Rosefield was assured by its trademark attorneys of its right to continue the use of its "Skippy" trademark on its peanut butter product.

Rosefield continued to use the mark and its peanut butter business grew and prospered.

Skippy Peanut Butter was originally distributed in the western states; in 1944, Rosefield began distributing Skippy Peanut Butter in the east. Shortly

thereafter, Rosefield received a letter from Skippy, Inc.'s counsel in re Rosefield's use of the trademark "Skippy."

Although the record is unclear as to the discussions between the parties, no action was taken by either party and the lawyers for both parties considered the matter closed.

Some three years later, the Al Dvorin Agency advised Rosefield that it was negotiating with others regarding licensing of the "Skippy" trademark and wanted to enter into a similar agreement with Rosefield Packing Co. for its continued use of "Skippy." Rosefield's attorneys advised Dvorin that Rosefield Packing Co. owned the trademark "Skippy" for peanut butter - that it did not use the cartoon character; that any attempt to interfere with its rights would be met with legal action - nothing further was heard from Skippy, Inc. or its agents.

Rosefield filed an application for registration of "Skippy" for its peanut butter in 1947 under the provisions of the new federal trademark statute of 1946. The registrati *59 (No. 504,940) was granted in 1948 - no one opposed this application.

Between 1933 and 1944, Rosefield Packing Co. registered its trademark "Skippy" for peanut butter in each of the 48 states and in Hawaii.

In 1936, the mark was registered in Delaware, New York and Virginia, where Crosby lived, and Skippy, Inc. had its principal place of business - neither

Crosby nor Skippy, Inc. objected to any of these registrations.

As required under the Lanham Act, Rosefield filed an affidavit in 1954 stating that its "Skippy" trademark was in continuous use, that there had been no final decision adverse to its claim of ownership of the mark for its goods, and its right to register the same, and to keep the same on the register, and that there were no proceedings involving its rights pending and not finally disposed of.

Rosefield and its successors have spent more than one-hundred-five million dollars in advertising and marketing its Skippy Peanut Butter - its net sales exceeding one-and-a-half billion dollars.

Joan Crosby Tibbetts did not contact the defendant about its use of "Skippy" in connection with their peanut butter until sometime in early 1976. She sought their assistance in promoting the art work of her father, and briefly discussed the historical confusion about the rights of Skippy, Inc. She did not pursue the matter further with CPC until March of 1977.

In the interim, she visited the U.S. Patent and Trademark Office, where she learned about Skippy, Inc.'s opposition in 1933 to Rosefield Packing Co.'s attempt to register the mark for peanut butter.

In March of 1977, Mrs. Tibbetts expressed concern over the use of the "Skippy" mark by a pet

food manufacturer and sought CPC's legal assistance in protecting the "Skippy" name.

When she did not receive a prompt response, she threatened to either sue or go to the newspapers, or both - CPC's attorney got in touch with her shortly thereafter and numerous meetings followed.

She wanted $125,000.00 to resolve any and all differences they might have had. Although CPC contended that it had no liability for any infringement, it continued to discuss the matter with Mrs. Tibbetts - they reached a tentative agreement in the fall of 1977.

The agreement was reviewed by Skippy, Inc.'s attorney and was executed by Mrs. Tibbetts on behalf of Skippy, Inc. on December 13, 1977. CPC signed it on January 10, 1978.

The agreement released the defendant from any and all claims which Skippy, Inc. may have had against it relating to its use of the name "Skippy" - and granted the defendant a two-year option to use its "Skippy" cartoon character upon a negotiated royalty.

The plaintiff's claim for monetary damages has been stricken by Judge Bryan on the grounds of laches and estoppel.

Upon consideration of the evidence and authorities cited, the undersigned is of the opinion that the plaintiff's claim for injunctive relief should be denied on the grounds hereinafter mentioned.

The burden is on the plaintiff to prove its claim for injunctive relief by a preponderance of the evidence - it has failed to so do.

> [1] The Federal Trademark Act (15 U.S.C. § 1141(1)) defines infringement as the use in commerce of any reproduction copy, or colorable imitation of a registered mark in connection with the sale or advertising of any goods with which such use is likely to cause confusion, to cause mistake, or to deceive.
>
> [2] In order to prevail, the plaintiff must show that it was the prior user of a valid trademark - that the marks in question are either identical or in close resemblance - and that the nature of the respective products used by the plaintiff and defendant are not so unrelated as to preclude any confusion as to their source.
>
> [3] The plaintiff has only proven that it was the prior user of the name "Skippy" - that alone is not enough to cause confusion, mistake or to deceive.

Involved in all lists of factors to be considered is the nature of the goods, the channels of trade, the class of purchasers, the distinctiveness of the mark, the nature and extent of any actual confusion. See Arrow Distilleries v. Globe Brewing Co., 117 F.2d 347, 48

USPQ 157 (4th Cir. 1941); Communications Satellite Corp. v. Comcet, Inc., 429 F.2d 1245, 166 USPQ 353 (4th Cir. 1970).

> [4] The law of Virginia in establishing the test of confusion is not unlike and parallels that of the Federal Trademark Act. See Food Fair Stores, Inc. v. Lakeland Grocery Corp., 301 F.2d 156, 133 USPQ 127 (4th Cir. 1962). See, also, John Walker and Son, Ltd. v. Bethea, 305 F. Supp. 1302, 163 USPQ 365 (D.C.S.C. 1969).

***593** "Skippy" was used by Percy Crosby as the title of his cartoons depicting a humorous, juvenile character - in addition to the name and "Skippy's" quaint costume (an indescribable checkered hat; huge white collar, flowing tie and dragging socks), Crosby used other symbols - most often, the ever-present white, slat fence as a background for messages written by "Skippy," who would be shown in the comic strip carrying a bucket and brush.

The name "Skippy" was never used as a name for peanut butter until Rosefield, the predecessor of the defendant, adopted it as the name of its patented peanut butter in 1933.

Rosefield neither reproduced nor copied Crosby's "Skippy" - or used any of the symbols Crosby used in portraying "Skippy" in his comic strip, with the exception of the white, slat fence, as a background for the name "Skippy" in his 1933 trademark

application. He abandoned the white fence background shortly thereafter and has used the hand-printed name "Skippy" as the name of his peanut butter since that date - there is nothing on the "Skippy" peanut butter label indicating that the defendant's peanut butter is being manufactured or recommended by Crosby's juvenile comic strip character.

There is and was little likelihood of confusion from the use of the name alone - many different products marketed by different companies bear the same name; i.e., Cadillac automobiles, Cadillac dog food, Cadillac boots - Ford automobiles - Ford phonograph records - Vogue Magazine and Vogue tires, etc.

Although the plaintiff called two well-known, present-day cartoonists to support its contention that the name "Skippy" alone was so identified with the Crosby juvenile character as to cause confusion among the buying public, that evidence was far from convincing.

> [5] Further, although not conclusive, it is both probative and significant to note that the Trademark Examiner did not cite the existing CPC registration of "Skippy" for peanut butter against the plaintiff's 1978 application to register and/or re-register the name "Skippy" as its trademark for its cartoon comic strip as he should have done under the statute (15 U.S.C. § 1062(a)) if he believed the use of

> the name "Skippy" as a trademark on the respective products of the parties would be likely to cause confusion or to cause mistake, or to deceive.

Crosby's trademark expired and "Skippy" ceased to exist as a syndicated juvenile comic character in 1945.

Even though the plaintiff did little to protect or use its "skippy" trademark between 1945 and the registering or reregistering of the mark in 1980 - that is not enough to prove abandonment.

Skippy, Inc. has been aware of the use of the name "Skippy" by the Rosefield Packing Co. on its peanut butter and its successors in interest since 1933. It has taken no action to stop such use until the filing of this complaint, some 47 years later.

Both Judge Bryan in this suit, and the undersigned, in Potter Instrument Company v. Storage Technology Corp., Civil Action No. 79-579-A, 207 USPQ 763, have held that a law suit is barred by laches when the plaintiff has not exercised diligence in asserting its rights and when the defendant has been prejudiced by the delay.

> [6] In a trademark action such as this, simple laches coupled with conduct amounting to estoppel, acquiescence or abandonment, is sufficient to bar a claim for an injunction. See Ambrosia Chocolate Company v. Ambrosia Cake

Bakery, 165 F.2d 693, 76 USPQ 157 (4th Cir. 1947).

The defendant has spent millions to advertise and promote their "Skippy" peanut butter. To require them to adopt a new name for their peanut butter after 47 years of uninterrupted use would be grossly unfair.

As was said by Judge Learned Hand, in Landers, Frary & Clark v. Universal Cooler Corporation, 85 F.2d 46, 49, 30 USPQ 248, 251 (2d Cir. 1936):

> When for eight years one plans one's business on the assumption that one may use a mark, it is a grave dislocation of the business to stop this use; the whole organization must be recast and the market reeducated; nobody can estimate what the losses may be.

The plaintiff in this case not only failed to take any legal action to protect its claimed exclusive right to the use of the name "Skippy," for some 47 years, plaintiff released the defendant in December of 1977 from any and all claims which it may have had against the defendant relating to its use of the name "Skippy."

Their claim that the release was obtained by fraud or trickery lacks both evidentiary and legal support.

The release was supported by a valuable consideration and was approved by Skippy. *594 Inc.'s attorneys before it was executed and delivered to the defendant.

Therefore, the plaintiff's prayer for permanent injunctive relief must be Denied, and

It Is So Ordered.

Plaintiff's prayer that this Court enter an order directing the Commissioner of Patents and Trademarks to cancel all federal trademark registrations owned or required by defendant, which include the name "Skippy," must likewise be Denied, and

It Is So Ordered.

The defendant's 1948 registration of its "Skippy" trademark for its peanut butter has been in continuous use for more than five years - the conditions set forth in 15 U.S.C. § 1065 have been complied with.

> [7] Once incontestability has been established, the registration is conclusive evidence of the registrant's exclusive right to use the mark - subject to challenge only on the grounds specified in 15 U.S.C. 1115(b). See Phillip Morris, Inc. v. Imperial Tobacco Co., 251 F. Supp. 362, 379, 148 USPQ 255, 266-267 (E.D. Va. 1965) and Armand's Subway, Inc. v. Doctor's Associations, Inc., 604 F.2d 849, 203 USPQ 241 (4th Cir. 1979).

The plaintiff's attack on the incontestability of the defendant's 1948 registration on the grounds of fraud in its procurement - fails for the want of sufficient evidentiary support.

The plaintiff tendered no evidence to support its claimed fraud except J. L. Rosefield's declaration in his 1948 application, wherein he stated:

> * * * that no other person, corporation or association, to the best of his knowledge and belief has the right to use such trademark in commerce * * * either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive * * * *

> [8] That's not enough - the plaintiff must prove that Rosefield knowingly made an inaccurate or misleading statement with the intent to deceive the Patent and Trademark Office, and that, but for the knowingly inaccurate and misleading statement, the Patent and Trademark Office would not have issued the registration or accepted the affidavit.

"Fraudulent intent cannot be inferred merely from an assertion of exclusive rights in a trademark." See SCOA Industries v. Kennedy & Cohen, Inc., 188 USPQ 411 (TTAB 1975).

Although Rosefield is now deceased, the evidence in this case clearly establishes that he believed

he had the exclusive right to use "Skippy" as the name of his peanut butter - he had used it for 15 years - and had registered it in all of the states.

The plaintiff had active and constructive notice of the defendant's belief that he had the right to use the mark "Skippy" on his peanut butter - and could have petitioned to cancel his 1948 registration at any time between that date and 1954.

It did nothing until 1980 when it filed this suit.

Although Rosefield's 1954 affidavit was not used in procuring the defendant's 1948 registration - it was given to establish the incontestability of the 1948 registration - the averment "there had been no final decree adverse to its claim of ownership or its right to register the same," was neither false nor fraudulent.

The plaintiff's claim that the Patent and Trademark Office's failure to grant the defendant's 1933 application was such a final decree was not supported by the authorities cited:

> All we know about Rosefield's 1933 application is:
>
> > All of the principals are dead;
> >
> > The Patent Office records have long since been destroyed;
> >
> > Skippy, Inc. filed an opposition;

There was no hearing;

The registration was not granted; and Rosefield, upon the advice of counsel, kept on using "Skippy" as the name of his peanut butter products.

[9] Successful oppositions to trademark registration applications are not res judicata in ex parte application proceedings.

Failure to grant, or denial of registration does not preclude the Commissioner of Patents and Trademarks from entertaining a subsequent application and registering the claimed mark.

It did so in this case - the Rosefield Packing Co. reapplied some 14 years later and the Commissioner of Patents and Trademarks granted the requested registration on December 21, 1948.

Skippy, Inc. did not file any opposition to this application.

Rosefield had every reason to believe in 1954 there had been no final decree adverse to his claim of ownership or his right to use the mark "Skippy" on his peanut butter products.

*595 He made no false or fraudulent statement in his 1954 application.

> [10] The plaintiff must prove by clear and convincing evidence that the defendant's 1948 registration or the incontestable right to use the mark was obtained fraudulently - it has failed to so do.

On the evidence presented, this Court finds there has been no final decision adverse to Rosefield's claim of ownership of the mark "Skippy" for its peanut butter products or its right to register the same.

Therefore, the Court hereby declares that the defendant's right to use the said mark has become incontestable under 15 U.S.C. § 1115(b), and the said registration shall be and hereby is conclusive evidence of the registrant's exclusive right to use the registered trademark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said § 1065.

The defendant's counter-claim for breach of contract and for injunctive relief must be Denied for want of sufficient proof, and

It Is So Ordered.

The contract between the parties does not contain any covenants not to sue and does not provide for the award of any counsel fees.

The plaintiff has done nothing to interfere with the claimed right of the defendant to use his registered trademark "Skippy" on its peanut butter products for some 47 years, except to file this suit - no evidence was

tendered indicating that the plaintiff intended to or would interfere with any of the defendant's rights to use its registered mark in the future.

The Clerk will send a copy of this Memorandum Opinion and Order to all counsel of record.

§1064. Cancellation of registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 43(c) [15 USC §1125(c)], by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this Act.

(2) Within five years from the date of publication under section 12(c) hereof [15 USC §1062(c)] of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 [15 USC §1054] or of subsection (a), (b), or (c) of section 2 [15 USC §1052] for a registration under this Act, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel

the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 12 of this Act [15 USC §1062].

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this Act, and the prescribed fee shall not be required.

Nothing in paragraph (5) shall be deemed to prohibit the registrant from using its certification mark in advertising or promoting recognition of the certification program or of the goods or services meeting the certification standards of the registrant. Such uses of the certification mark shall not be grounds for cancellation under paragraph (5), so long as the registrant does not itself produce, manufacture, or sell any of the certified goods or services to which its identical certification mark is applied.

§ 1065 Incontestability of right to use mark under certain conditions [Section 15]

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 14 [§ 1064] of this Act, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this Act of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That-

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and

the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered. Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this Act shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Director within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 12 [§ 1062] of this Act.

The Director shall notify any registrant who filed the above-prescribed affidavit of the filing thereof.

15 U.S.C. § 1071

(b)(1)Whenever a person authorized by subsection (a) of this section to appeal to the Unites States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Director to take any necessary action, upon compliance with the requirements of law. However, no final judgment shall be entered in favor of an applicant under section 1(b) [§ 1051(b)] before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c) [§ 1057(c)].

(2) The Director shall not be made a party to an inter parties proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, unless the court finds the expensed to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor or such party or not. In suits brought hereunder, the record in the Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

§ 1115 Registration on principal register as evidence of exclusive right to use mark; defenses [Section 33]

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this Act and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b), which might have been asserted if such mark had not been registered.

(b) To the extent that the right to use the registered mark has become incontestable under section 15 [§ 1065], the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15 [§ 1065], or in the renewal application filed under the provisions of section 9 [§ 1059] if the goods or services specified in the renewal are fewer in number, subject to any conditions or

limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32 [§ 1114], and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to

section 7(c) [§ 1057(c)], (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 [§ 1062] of this Act: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 [§ 1062] of this Act of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence are applicable.

(July 5, 1946, ch. 540, title VI, § 33, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 18, 76 Stat. 774; Nov. 16, 1988, Pub. L. 100-667, § 128, 102 Stat. 3944-45; Oct. 30, 1998, Pub. L. 105-330, § 201, 112 Stat. 3070; Nov. 2, 2002, Pub. L. 107-273, § 13207, 116 Stat. 1906.)

15 U.S.C. § 1119
§ 1119 Power of court over registration [Section 37]

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

15 U.S.C. § 1121(a)

§ 1121 Jurisdiction of Federal courts [Section 39]

(a) The district and territorial courts of the United States shall have original jurisdiction, [and] the courts of appeal of the United States (other than the United States Court of Appeals for the Federal Circuit)[and the United States Court of Appeals for the District of Columbia]* shall have appellate jurisdiction, of all actions arising under this Act without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.

(b) No State or other jurisdiction of the United States or any political subdivision or any agency thereof may require alteration of a registered.

15 U.S.C. § 1123

§ 1123 Rules and regulations for conduct of proceedings in Patent and Trademark Office [Section 41]

The Director shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office under this Act.

UNCODIFIED LANHAM ACT PROVISIONS

§ 46(a) Time of taking effect—Repeal of prior acts

This Act shall be in force and take effect one year from its enactment, but except as otherwise herein specifically provided shall not affect any suit, proceeding, or appeal then pending. All Acts and parts of Acts inconsistent herewith are hereby repealed effective one year from the enactment hereof, including the following Acts insofar as they are inconsistent herewith: The Act of Congress approved March 3, 1881, entitled "An Act to authorize the registration of trademarks and protect the same"; the Act approved August 5, 1882, entitled "An Act relating to the registration of trademarks"; the Act of February 20, 1905 (U.S.C., title 15, secs. 81 to 109, inclusive), entitled "An Act to authorize the registration of trademarks used in commerce with foreign nations or among the several States or with Indian tribes, and to protect the same", and the amendments thereto by the Acts of May 4, 1906 (U.S.C., titled 15, secs. 131 and 132; 34 Stat. 169), March 2, 1907 (34 Stat. 1251, 1252), February 18, 1909 (35 Stat. 627, 628), February 18, 1911 (36 Stat. 918), January 8, 1913 (37 Stat. 649), June 7, 1924 (43 Stat. 647), March 4, 1925 (43 Stat. 1268, 1269), April 11, 1930 (46 Stat. 155), June 10, 1938 (Public, Numbered 586, Seventy-fifth Congress, ch. 332, third session); the Act of March 19, 1920 (U.S.C., title 15, secs. 121 to 128, inclusive), entitled "an Act to give effect to certain provisions of the convention for the protection of trademarks and commercial names made and signed in the city of Buenos Aires, in the Argentine Republic, August 20, 1910, and for other purposes", and the

amendments thereto, including the Act of June 10, 1938 (Public, Numbered 586, Seventy-fifth Congress, ch. 332, third session); *Provided*, That this repeal shall not affect the validity of registrations granted or applied for under any of said Acts prior to the effective date of this Act, or rights or remedies thereunder except as provided in sections 8, 12, 14, 15, and 47 [§§1058, 1062, 1064, 1065, and 47 (§47 is uncodified; see below)] of this Act; but nothing contained in this Act shall be construed as limiting, restricting, modifying, or repealing any statute in force on the effective date of this Act which does not relate to trademarks, or as restricting or increasing the authority of any Federal departments or regulatory agency except as may be specifically provided in this Act.

Section 5 of the 1905 Trade-Mark Act, as amended through January 9, 1934 (codified in 1924 as 15 U.S. Code 85)

§5. Trade-marks which may be registered.—No mark by which the goods of the owner of the mark may be distinguished from other goods of the same class shall be refused registration as a trade-mark on account of the nature of such mark unless such mark—

(a) Consists of or comprises immoral or scandalous matter.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States or any simulation thereof, or of any State or municipality or of any foreign nation, or of any design or picture that has been or may hereafter be adopted by any fraternal society as its emblem, or of any name, distinguishing mark, character, emblem, colors, flag, or banner adopted by any institution, organization, club, or society which was incorporated in any State in the United States prior to the date of the adoption and use by the applicant: *Provided*, That said name, distinguishing mark, character, emblem, colors, flag, or banner was adopted and publicly used by said institution, organization, club, or society prior to the date of adoption and use by the applicant: *Provided*, That trade-marks which are identical with a registered or known trade-mark owned and in use by another and appropriated to merchandise of the same descriptive properties, or which so nearly resemble a registered or known trade-mark owned and in use by another and appropriated to merchandise of the same

descriptive properties as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers shall not be registered: *Provided*, That no mark which consists merely in the name of an individual, firm, corporation, or association not written, printed, impressed, or woven in some particular or distinctive manner, or in association with a portrait of the individual, or merely in words or devices which are descriptive of the goods with which they are used, or of the character or quality of such goods, or merely a geographical name or term, shall be registered under the terms of this subdivision of this chapter: *Provided further*, That no portrait of a living individual may be registered as a trade-mark except by the consent of such individual, evidenced by an instrument in writing, nor may the portrait of any deceased President of the United States be registered during the life of his widow, if any, except by the consent of the widow evidenced in such manner: *And provided further*, That nothing herein shall prevent the registration of any mark used by the applicant or his predecessors, or by those from whom title to the mark is derived, in commerce with foreign nations or among the several States or with Indian tribes which was in actual and exclusive use as a trade-mark of the applicant, or his predecessors from whom he derived title for ten years next preceding February 20, 1905: *Provided further*, That nothing herein shall prevent the registration of a trade-mark otherwise registrable because of its being the name of the applicant or a portion thereof. And if any person or corporation shall have so registered a mark upon the ground of said use for ten years preceding February 20, 1905, as to certain articles or classes of articles to which said mark shall

have been applied for said period, and shall have thereafter and subsequently extended his business so as to include other articles not manufactured by said applicant for ten years next preceding February 20, 1905, nothing herein shall prevent the registration of said trade-mark in the additional classes to which said new additional articles manufactured by said person or corporation shall apply, after said trade-mark has been used on said article in interstate or foreign commerce or with the Indian tribes for at least one year provided another person or corporation has not adopted and used previously to its adoption and use by the proposed registrant, and for more than one year such trade-mark or one so similar as to be likely to deceive in such additional class or classes.

Federal Rule of Civil Procedure 12(b)(6)

(b) How Presented. Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counter-claim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: (1) lack of jurisdiction over the subject matter, (2) lack of jurisdiction over the person, (3) improper venue, (4) insufficiency of process, (5) insufficiency of service of process, (6) failure to state a claim upon which relief can be granted, (7) failure to join a party under Rule 19. A motion making any of these defenses shall be made before pleading if a further pleading is permitted. No defense or objection is waived by being joined with one or more other defenses or objections in a responsive pleading or motion. If a pleading sets forth a claim for relief to which the adverse party is not required to serve a responsive pleading, the adverse party may assert at the trial any defense in law or fact to that claim for relief. If, on a motion asserting the defense numbered (6) to dismiss for failure of the pleading to state a claim upon which relief can be granted, matters outside the pleading are presented to and not excluded by the court, the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56, and all parties shall be given reasonable opportunity to present all material made pertinent to such a motion by Rule 56.

Federal Rule of Civil Procedure 60(b)

(b) Mistakes; Inadvertence; Excusable Neglect; Newly Discovered Evidence; Fraud, etc. On motion and upon such terms as are just, the court may relieve a party or a party's legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or their misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of the judgment. The motion shall be made within a reasonable time, and for reasons (1), (2), and (3) not more than one year after the judgment, order, or proceeding was entered or taken. A motion under this subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order, or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., § 1655, or to set aside a judgment for fraud upon the court. Writs of coram nobis, coram vobis, audita querela, and bills of review and bills in the nature of a bill of review, are abolished, and the procedure for obtaining any relief from a judgment

shall be by motion as prescribed in these rules or by an independent action.

§ 2.106

(2)(i) A defense attacking the validity of any one or more of the registrations pleaded in the opposition shall be a compulsory counterclaim if grounds for such counterclaim exist at the time when the answer is filed. If grounds for a counterclaim are known to the applicant when the answer to the opposition is filed, the counterclaim shall be pleaded with or as part of the answer. If grounds for a counterclaim are learned during the course of the opposition proceeding, the counterclaim shall be pleaded promptly after the grounds therefor are learned. A counterclaim need not be filed if it is the subject of another proceeding between the same parties or anyone in privity therewith.

(ii) An attack on the validity of a registration pleaded by an opposer will not be heard unless a counterclaim or separate petition is filed to seek the cancellation of such registration.

(iii) The provisions of §§ 2.111 through 2.115, inclusive, shall be applicable to counterclaims. A time, not less than thirty days, will be designated within which an answer to the counterclaim must be filed.

(iv) The times for pleading, discovery, testimony, briefs or oral argument will be reset or extended when necessary, upon motion by a party, to enable a party fully to present or meet a counterclaim or separate petition for cancellation of a registration.

§ 2.114

(2)(i) A defense attacking the validity of any one or more of the registrations pleaded in the petition shall be a compulsory counterclaim if grounds for such counterclaim exist at the time when the answer if filed. If grounds for a counterclaim are known to respondent when the answer to the petition is filed, the counterclaim shall be pleaded with or as part of the answer. If grounds for a counterclaim are learned during the course of the cancellation proceeding, the counterclaim shall be pleaded promptly after the grounds therefor are learned. A counterclaim need not be filed if it is the subject of another proceeding between the same parties or anyone in privity therewith.

(ii) An attack on the validity of a registration pleaded by a petitioner for cancellation will not be heard unless a counterclaim or separate petition is filed to seek the cancellation of such registration.

(iii) The provisions of §§ 2.111 through 2.115, inclusive, shall be applicable to counterclaims. A time, not less than thirty days, will be designated within which an answer to the counterclaim must be filed.

(iv) The times for pleading, discovery, testimony, briefs, or oral argument will be reset or extended when necessary, upon motion by a party, to enable a party fully to present or meet a counterclaim or separate petition for cancellation of a registration.

(3)

No. 03-1146

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In The Supreme Court of the United States

SKIPPY INCORPORATED,

Petitioner,

v.

LIPTON INVESTMENTS, INCORPORATED, *et al.*,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

AMICUS BRIEF OF TRADE FORUM INCORPORATED IN SUPPORT OF PETITIONER AND GRANTING CERTIORARI

Robert S. Swecker
Counsel of Record
1737 King Street, Suite 500
Alexandria, VA 22314
(703) 836-6620

Steven M. Hoffer
Office of General Counsel
Trade Forum Incorporated
3827 Shasta Street, Suite B
San Diego, California 92109
(858) 270-9449

Counsel for Amicus Curiae
Trade Forum Incorporated

THE LEX GROUP^{DC} ♦ One Massachusetts Ave., NW ♦ Suite 670 ♦ Washington, DC 20001
(202) 789-2400 ♦ Fax: (202) 789-1911 ♦ www.thelexgroupdc.com

QUESTIONS ADDRESSED

This amicus brief provides distinct, but related, support for the position of petitioner primarily on those issues that the petitioner has numbered as questions one through three, inclusive, for prospective review.

CORPORATE DISCLOSURE STATEMENT
(Sup. Ct. R. 29.6)

Trade Forum Incorporated makes this corporate disclosure statement pursuant to Supreme Court Rule 29.6:

1. There is no parent corporation for the party.

2. No publicly-held corporation owns 10 percent or more of the stock of Trade Forum Incorporated.

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INTEREST OF AMICUS CURIAE

Trade Forum Incorporated ("TFI") has an interest in the continuing vitality and proper implementation of the nondelegation doctrine of Article I of the Constitution and the separation of powers.[1]

INTRODUCTION AND SUMMARY OF ARGUMENT

In 1979, Petitioner had sought service marks to reinforce its rights in the Skippy name, vindicated by a favorable 1934 opposition decision, and attempted to surmount two opposition petitions filed by CGR in early 1982. The Trademark Trial and Appeal Board ("TTAB"), however, ruled in the opposition proceedings that because a counterclaim against CGR was not filed with the answer as provided under the trademark rules of the Patent and Trademark Office ("PTO") or pursuant to other timely leave,[2] the TTAB defendant (Petitioner here) was barred from seeking to cancel CGR's cited registration. Both courts in this case held incorrectly that the consolidated decision based upon the TTAB ruling was res judicata. The Court of Appeals incorrectly affirmed based upon the professed res judicata bar, even though Skippy Inc. had not sufficiently discovered the grounds to file a timely counterclaim for

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[1] The authors of this brief are Robert Swecker and Steven Hoffer. Pursuant to Rule 37.6 of the Rules of this Court, amicus states that no counsel for a party authored this brief in whole or in part and that no person or entity other than amicus, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. Pursuant to Rule 37.2(a), amicus states that the parties have all signed a letter of consent. There is no parent or publicly held company owning ten percent or more of the sponsoring corporation's stock. This reprinted version of the brief, as previously proposed in different format, has been modified editorially, without any substantive additions, to satisfy the Rules of this Court.

[2] Rules of Practice, 37 C.F.R. § 2.106(b)2 or 2.114(b)2.

fraudulent registration until mid-1984, more than two years after the date that the answer was filed in May 1982.

The PTO's interpretation of the Lanham Act, and 15 U.S.C. §§ 1064(3) and 1123, as modified by its Rules of Practice, as relied upon above, would violate the nondelegation doctrine. These provisions, as construed by PTO, do not merely authorize the agency to carry out or implement the statutory directives enacted by Congress, but effectively deputize PTO to engage in lawmaking.[3]

The General Provisions of the Lanham Act contain language that provides context to discern the limits of any power to make rules with the force of law. Section 1119; see also, Section 1123 ("Rules and regulations for conduct of proceedings in Patent and Trademark Office The Director shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office under this chapter.")

These two provisions indicate that the PTO was conferred a modicum of power to administer its internal housekeeping and procedural rules, "not inconsistent with law", or the procedures of the District Courts with whom it shares jurisdiction over contestable rights arising from the cancellation of registrations. There was not an express delegation of broad rulemaking authority.[4]

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[3] In administering Sections 1064(3) and 1123, PTO is going further than applying statutory factors prescribed by Congress or, in Chief Justice Marshall's words, "fill[ing] up the details" under the general provisions made by Congress. Wayman v. Southard, 23 U.S. (10 Wheat.) 1,43 (1825).

[4] Compare, Communications Act of 1934, ch. 652, § 4(i), 48 Stat. 1064, 1068 (1934) (authorizing the FCC to "perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions");

Tellingly, here, the subpart of Title 15, Ch. 22, on the Principal Register sets out in clear and ordinary terms that

> "a petition to cancel a registration of a mark, stating grounds relied upon, may, ... be filed as follows by any person who believes that he is or will be damaged, ... (3) At any time if the registered mark becomes the generic name for the goods or services, ... or is functional, or has been abandoned, or its registration was obtained fraudulently...." 15 U.S.C. Section 1064.

The PTO's revision was not deterred by comments that stated that there is no basis in the Trademark Act for the compulsory counterclaim rules.[5]

Yet, the PTO's rationalization begs the central question of the blatant inconsistency with the "at any time" language under 15 U.S.C. § 1064(3), which Congress mandated as part of its regulatory scheme.[6] The TTAB's rejection of a petition of cancellation based on allegations of fraud, cannot be deemed untimely consistent with 15 U.S.C. § 1064(3) by reliance on Trademark regulations that require compulsory counterclaims for any cause that existed at the time when the answer was filed.[7]

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[5] The PTO relied on a highly tenuous analogy between (a) Congress's power to limit causes of action on certain actions after five years, as a statute of limitations and (b) its own alleged authority to adopt compulsory counterclaim constraints in the absence of any statute of limitations. Final Rule, Vol. 46 Fed.Reg. 6935, at 6936 (Jan. 22, 1981) ("Final Rule").

[6] No ambiguity, for instance, invites the PTO to narrow the provision when the asserted countervailing policy of avoiding multiplicity of suits was already well within the purview of Congress, and impliedly balanced into then prevailing Federal Rules of Civil Procedure that permitted permissive counterclaims under Rule 13(b).

Because the TTAB's decision to decline to afford recourse on Petitioner's cancellation petition on May 29, 1986 was an error as a matter of law based on compulsory counterclaim rules that the PTO enshrined contrary to the non-delegation principle, any reliance upon res judicata grounds based upon that decision, or upon ones afflicted by that TTAB ruling, strongly warrant review.

Hence, this case illustrates the very dangers addressed by the nondelegation doctrine -- the risks that Congress will abdicate responsibility over critical policy judgments that effect an entire class of cases and that politically unaccountable agencies will seize the power to pursue their own policy agendas, asserting their own "discretion" as a shield to prevent meaningful judicial review.[8]

If the PTO has assumed away classes of meritorious fraud cases based on after-discovered facts, which could directly bear upon the goal of correcting the Principal Register to ensure its integrity, there must be an express delegation of power to do so. It is not clear from the language of 15 U.S.C. § 1123, that the PTO enjoys discretion to adopt rules for interparty proceedings in derogation of permissive counterclaim rights, when otherwise a petition to cancel a mark on the basis of fraudulent procurement may

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[7] Drawing permissible inferences here under Rule 12(b)6 in favor of the Petitioner on its Complaint in #03-1086, its allegations are presumed hereunder to be true in that CGR had identified its registration TR 504,940, in the opposition action, but that the other side had not been able yet to discover a sufficient basis to file a fraud counterclaim against CGR within its answer filed with the PTO.

[8] Detractors will insist that trademark rules of practice 37 C.F.R. § 2.106(b)(2) or 2.114(b)(2), satisfy the nondelegation doctrine because the PTO may later consider other public factors. However, these factors have been selected by PTO, without regard to the overarching "at any time" requirement. They were not adopted by Congress, and they are not set forth in the statute.

be filed at "any time" with no penalty for delay. Marshak v. Treadwell, 240 F.3d 184 (3d Cir. 2001). [9]

The distinction between legislative rules (that is, substantive legislative rules) and other types of rules is important in administrative law for several reasons. One is that the APA generally requires agencies to engage in notice-and-comment rulemaking before making legislative rules, but not before making procedural rules, interpretative rules, or policies.[10]

Quasi-legislative rules that detract from the policy of Congress to permit challenges to preserve the integrity of the Principal Register must be viewed with skepticism, especially when nothing in the empowering clause provides any intelligible principle guiding the PTO to ascertain when to subordinate that fundamental substantive goal to the agency's preference to avoid piecemeal litigation.[11]

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[9] The TTAB has held that there may be no laches defense to a cancellation action premised on fraudulent procurement. See, Ohio State University v. Ohio University, 51 U.S.P.Q.2d 1289, n.16 (TTAB 1999).

[10] Am. Mining Congress v. Safety & Health Admin., 995 F.2d 1106, 1109 (D.C. Cir. 1993); American Postal Workers Union v. U.S. Postal Service, 707 F.2d 548, 558 (D. C. Cir. 1983) ("A rule can be legislative only if Congress has delegated legislative power to the agency and if the agency intended to use that power in promulgating the rule at issue."); *cf.* Joseph v. U.S. Civil Serv. Comm'n, 554 F.2d 1140, 1153 n.24 (D.C. Cir. 1977) (whether a rule is legislative depends on "the authority and intent with which they are issued").

[11] This understanding as to lack of any intelligible principle to substantiate the express delegation, rooted in J.W. Hampton, Jr., & Co. v. United States, 276 U.S. 394, 409 (1928), still arises in modern cases. See, e.g., Whitman v. Am. Trucking Ass'ns, 531 U.S. 457, 472-76 (2001) (holding that Congress had articulated an "intelligible principle"). In the instant case, the PTO has employed procedural rulemaking to effectuate a policy that subordinates the primary policy goal of Congress, to its own administrative expediency to consolidate cases on common marks.

The PTO was never expressly accorded plenary authority to rewrite the rules for time-barring actions that bear on substantive rights. Otherwise, the lack of clear congressional standards limiting the PTO, coupled with the agency's unfettered discretion to establish its own guideposts, ensures that there is no adequate check on PTO's decisionmaking. The balance of authority contemplated by the separation of powers does not exist.[12]

The advocates of PTO discretion may be tempted to suggest on record that the requisite delegation it sought to imply here is no more expansive than those upheld by this Court in other cases. On the contrary, the delegation in this case is far beyond any upheld by this Court under the modern nondelegation doctrine, because the professed power is aimed to directly erode the force and effect of Congressionally promulgated § 1064(3), by invoking allegedly implied power from a sister provision of the same statutory scheme, § 1123.

Without a vigorous nondelegation doctrine, agencies will be able to "find" ambiguities in ordinary language in order to arrogate to themselves the power essentially to make law -- even though the unfettered ability to define as the law of the land any rationally supportable version of what a statute's words might mean is the very essence of the legislative authority granted to Congress by Article I.[13]

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[12] In 1986, Courts often presumed that nearly any perceptible gap in ambiguity could raise a presumption that Congress delegated prescriptive power to the agency to fill the gap. The need for a vigorous nondelegation doctrine has only been heightened by the power accorded to administrative agencies since Chevron USA. Inc. v. Natural Resources Defense Council, 467 U.S. 837 (1984). Chevron announced a rule of deference to reasonable agency interpretations of ambiguous statutory provisions. The presumptions that were routinely invoked throughout the 1980s-1990s, no longer may be drawn so liberally. United States v. Mead Corp., 533 U.S. 218 (2001)(J. Scalia dissenting).

The judgment of the Court of Appeals endorsement of the PTO's operational interpretation of Sections 1123 and 1064(3) accordingly should be reviewed by granting the writ of certiorari.

ARGUMENT

This case presents an important opportunity to reaffirm the limits on governmental power reflected in the nondelegation doctrine. For example, this Court has affirmed the limits of the Article I commerce power.[14] These issues are not new, but have renewed vitality in the increasingly important area of intellectual property rights in general, and trademarks in particular.

Since A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935), this Court has refined the measures with which the judicial branch may define the scope of authority delegated by Congress to administrative agencies of the Executive branch.

The Supreme Court recently held in United States v. Mead Corp., 533 U.S. 218 (2001), that agency interpretations are entitled to Chevron deference, described below, only when Congress has delegated power to the agency to make rules with the force of law and the agency's interpretation was rendered in the exercise of that power. The first step of this inquiry is often difficult to apply because the typical rulemaking grant falls short of specifying whether the "rules

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[13] In United States v. Lopez, 514 U.S. 549 (1995). This case presents an important opportunity not only to reverse the Court of Appeals' judgment validating PTO's unlawfully expansive interpretation of Sections 1123, and narrowing of 1064(3), of Title 15, Chapter 22, but also to establish a broader precedent affirming the nondelegation doctrine.

[14] See Jones v. United States, 120 S. Ct. 1904 (2000) (construing federal arson statute narrowly); United States v. Morrison, 120 S. Ct. 1740 (2000) (striking down civil suit provision in Violence Against Women Act).

and regulations" have the force of law, or includes only procedural and interpretative rules.[15]

I. THE PTO'S EFFORT TO REWRITE THE PERMISSIVE COUNTERCLAIM RULES AS COMPULSORY ONES PRESUPPOSES AUTHORITY CONTRARY TO THE NONDELEGATION RULE

In its published "Final Rule" on compulsory counterclaims, the PTO observed that the public has an interest in the removal from the register of improvidently issued registrations. Vol. 46 Fed.Reg. at 6935 n.3. It is beyond dispute that the integrity of the Principal Register is of paramount importance to the public interest. Yet, the PTO adopted and applied specialized procedural rules to require compulsory counterclaims in opposition and cancellation proceedings, even though the rules could foreseeably impede those who might otherwise seek to restore the integrity of the Principal Register, to eradicate fraudulent filings where the basis for asserting fraud was not known at the outset of an opposition proceeding. In the instant case, the Petitioner sought, but was denied, recourse to correct registrations where the registrations or the incontestable right to use the mark was obtained fraudulently.[16]

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[15] Bowen v. Georgetown Univ. Hosp., 488 U.S. 204, 208 (1988) ("... an ... agency's power to promulgate legislative regulations is limited to the authority delegated by Congress."); Chrysler Corp. v. Brown, 441 U.S. 281, 302 (1979) ("The legislative power ... is vested in the Congress, and the exercise of quasi-legislative authority ... must be rooted in a grant of such power ... and subject to limitations which that body imposes.").

[16] In United States v. Mead Corporation, 533 U.S. 218 (2001)("Mead"), the majority cogently explained that:

> .. . The fair measure of deference to an agency administering its own statute has been understood to vary with circumstances, and courts have looked to the degree of the agency's care, its consistency, formality, and relative expertness, and to the

The Mead decision dramatically narrowed the Chevron Doctrine, and its presumptions.[17] In the present case, the intent of Congress could not be more clear. As demonstrated above, Congress included several express directives in § 1064(3), and elsewhere established the district courts as another forum of ostensibly parallel recourse under F.R.C.P. Rule 13(b). But nowhere did Congress suggest that the existence of a compulsory counterclaim regime might be imposed to bar relief for fraudulent registrations under § 1064(3).

As might be expected, the tribunals' rulings in favor of CGR ignored the text of § 1064(3) after the PTO had searched ambiguity elsewhere. The PTO impliedly claimed to have found it in § 1123. But this section gets the PTO nowhere. The phrase "shall make rules and regulations, not inconsistent with law, for the conduct of proceedings" in the PTO called for in § 1123's title may well require some interstitial interpretation by the PTO to ensure the orderly administration of justice (i.e. evidentiary hearings).

But the aberration of compulsory counterclaim provisions under § 2.106(b) have nothing to do with adjusting permissive counterclaim formalities under § 1123 and everything to do with altering rights and duties under § 1064(3). These provisions are "inconsistent with the law."

Even if Congress' intent with respect to PTO's compulsory counterclaims were unclear, the Chevron rule of deference would remain inapplicable to this case. For

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persuasiveness of the agency's position, see Skidmore, supra, at 139-140. Mead , 533 U.S. at 228. (footnotes omitted)

[17] Under Chevron the standard of review, as to deference, appeared to pivot on a preliminary question of intent of Congress, and afforded the agency a presumption that warranted deference. Chevron, 467 U.S. at 842-44. See also NLRB v. United Food & Commercial Workers Union, 108 S.Ct. 413, 426-27 (1987) (Scalia, J., concurring).

Congress has not "left a gap" in PTO's civil remedy for the Director "to fill." Chevron, 467 U.S. at 843. Indeed, far from filling a gap in counterclaim requirements, Regulation 2.106(b) creates a gap both in reconstituting the integrity of the Principal Register and in enforcement under PTO by entirely eliminating the congressionally created right of action resulting in injury due to latently discovered fraud.

Conflating Congress's constitutional prerogatives for its own, the PTO eliminated permissive counterclaims, or created a de facto bar to recourse by imputing a statute of limitations that flies in the face of Congressional intent.[18] There never was any "express delegation of authority to the [Director] to elucidate" § 1064(3) "by regulation." Chevron, 467 U.S. at 843-44. A regulation must be set aside if it is "'in excess of statutory jurisdiction, authority, or limitations, or short of statutory right.'"[19]

If the creation of a private right of permissive counterclaim is a uniquely legislative task, [20] then no other

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[18] An express grant of authority is required to justify agency action altering or setting aside a statutory provision that "directly address[es]" the particular subject in issue and "reflect[s] a specific set of congressional concerns." Brae Corporation v. United States, 740 F.2d 1023, 1059 (D.C. Cir. 1984), cert. denied, 471 U.S. 1069 (1985). The misdirection is redoubled here since Respondents' affidavit was adjudged false on appeal, and the lower court's entry of declaratory judgment was set aside. Respondents' misconduct bars their reliance on res judicata under the unclean hands doctrine. See, Duffy-Mott Co. v. Cumberland Packing Co., 424 F.2d 1095, 1099 (C.C.P.A. 1970).

[19] Bureau of Alcohol, Tobacco & Firearms v. FLRA, 464 U.S. 89, 97 n.7 (1983) (quoting 5 U.S.C. §§ 706(2)(A) & (C)). See also Securities Industry Ass'n v. Federal Reserve Board, 468 U.S. 137, 143 (1984) (courts "'must reject administrative constructions of [a] statute . . . that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement'") (citation omitted).

[20] This Court would be well advised to take two steps back and recall that what Regulation 2.106(b) purports to interpret and implement is not a

branch has any business suspending or limiting that right of action[21] -- particularly through the creation of time-barring defenses that Congress has considered and rejected.[22] Query whether a PTO rule on compulsory counterclaims that is wielded to eviscerate the "at any time" provision of the statute, 15 U.S.C. § 1064(3), is not the epitome of a regulatory action manifestly contrary to the statute. It treats that statute as if it is one of the agency's own rules that it may discretionarily treat as merely precatory.

This is manifest error, especially when the statutory language lacks the ambiguity of other legislation. The Mead majority also reasoned that:

> Justice Jackson summed things up in Skidmore v. Swift & Co.: 'The weight [accorded to an administrative] judgment in a particular case will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronounce-ments, and all those factors which give it power to

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scheme of administrative law at all, but a safeguard against the maintenance of improvidently registered trademarks, including ones that were procured through fraud or deceptive practices. § 1064(3). See, NLRB v. United Food & Commercial Workers Union, 108 S.Ct. 413, 427 (1987); Thompson v. Thompson, 108 S.Ct. 513 (1988).

[21] see Thompson, 108 S.Ct. at 522-23 (Scalia, J., joined by O'Connor, J., concurring in the judgment); Cannon v. University of Chicago, 441 U.S. 677, 742-45, 749 (1979) (Powell, J., dissenting).

[22] There is no place for "a sort of junior-varsity Congress." Compare Mistretta v. United States, 109 S.Ct. 647, 683 (1989) (Scalia, J., dissenting). This seems an apt description of the role the PTO arrogated to itself in Regulation 2.106(b). As this Court unanimously held in Bureau of Alcohol, Tobacco & Firearms v. FLRA, 464 U.S. 89, 97 n.7 (1983) "the 'deference owed to an expert tribunal cannot be allowed to slip into ... the unauthorized assumption by an agency of major policy decisions properly made by Congress.'" 464 U.S. at 97 (citation omitted). Cf. Bowsher v. Synar, 478 U.S. 714, 756 (1986) (Stevens, J., concurring).

> persuade, if lacking power to control.' 323 U.S. at 140.

Mead, 533 U.S. at 228. In dissent in Mead, Justice Scalia urged that Chevron left as the only "question of law" whether the agency's interpretation had gone beyond the scope of discretion that the statutory ambiguity conferred. Id. at 241-42n.2.

The Mead majority, however, reasoned that the initial presumption of some delegated power to initiate and make law to fill gaps was unwarranted. See Mead, 533 U.S. at 252. The delegation of interpretative authority as to standards or procedural rules does not justify any presumption that the agency otherwise controls policies that define legal rights and duties.[23]

II. NOTHING EMPOWERS THE PTO TO ELIMINATE SUBSTANTIVE RIGHTS OF PERMISSIVE COUNTERCLAIMS UNDER § 1064(3)

A. A General Delegation For Some Rulemaking Is Inadequate

Like Adams Fruit, agency action by the USPTO directed to adjudicative matters within the substantive expertise of the agency may be entitled to greater deference than ones that are not. In another case on PTO authority, Merck, Inc. v.

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[23] Justice Scalia's Mead dissent also cited to Adams Fruit Co. v. Barrett, 494 U.S. 638, 649-650 (1990) (although Congress required the Secretary of Labor to promulgate standards implementing certain provisions of the subject Act, and "agency determinations within the scope of delegated authority are entitled to deference," the Secretary's interpretation of the Act's enforcement provisions is not entitled to Chevron deference because "no such delegation regarding [those] provisions is evident in the statute"). See, Mead, 533 U.S. at 232, n.14. It is fundamental "that an agency may not bootstrap itself into an area in which it has no jurisdiction." Adams Fruit, at 494 U.S. at 650.

Kessler and Lehmann, et al., 80 F.3d 1543, 1549-50 (Fed. Cir. 1996), the Federal Circuit, presented with "a matter of pure statutory interpretation", confirmed upon de novo review that the "rule of controlling deference set forth in Chevron does not apply."[24] The Federal Circuit explained that the PTO Commissioners improperly relied on Chevron deference. [25]

Like Merck, the instant case raises the question of an exercise beyond delegated authority. Only here, it pertains to whether the PTO can effectuate substantive rules that effectively foreclose a class of cases (i.e., cancellation later-discovered fraudulent registrations) to avoid risking multiplicity of suits, in view of a limited delegation of power to devise procedures to conduct cases. The Merck decision, when viewed in light of the Mead Doctrine, plainly indicates that there can be no basis for Chevron deference for the PTO's so-called Final Rule on compulsory counterclaims because it appears to be inimical to a substantive goal of Congress: to maintain the integrity of Principal Register by

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[24] Id. at 1550, citing E.E.O.C. v. Arabian American Oil Co., 499 U.S. 244, 257, 113 L. Ed. 2d 274, 111 S. Ct. 1227 (1991); General Elec. Co. v. Gilbert, 429 U.S. 125, 140-46, (1976); Skidmore v. Swift & Co., 323 U.S. 134, 140 (1944).

[25] "The contention is unavailing, based as it is on a mistake as to Chevron's breadth. ... As the Seventh Circuit recently had occasion to note, however, 'only statutory interpretations by agencies with rulemaking powers deserve substantial deference.' (citations)"

"As we have previously held, the broadest of the PTO's rulemaking powers ... authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [PTO]'; it does not grant the Commissioner the authority to issue substantive rules.... Because Congress has not vested the Commissioner with any general substantive rulemaking power, the 'Final Determination' at issue in this case cannot possibly have the 'force and effect of law.'" Id. at 1549-50.

the removal of fraudulent registrations, by permitting cancellation petitions at any time.

Despite the allegations of fraud by the present Petitioner, the Court of Appeals issued an order to affirm without separate opinion certain holdings against Petitioner because of conclusions that Petitioner had failed to raise compulsory counterclaims in earlier proceedings, and that those final judgments were res judicata. In arriving at this ruling, however, it improperly relies on pre-Mead presumptions, when instead no inference in favor of Chevron-deference, or any deference, extends here.[26]

Curiously, the PTO justified the constitutionality of the compulsory counterclaim rules by referring to the Federal Rules of Civil Procedure, Rule 13(a), even after its efforts to advance those rules on that basis were rejected in Thuron Industries, Inc. v. The Conrad-Pyle Co., 579 F.2d 633 (CCPA 1978), where by the PTO's own account "... the Court held that Rule 13(a), FRCP, did not support the Board's practice and that § 2.106(b), as then written, was a permissive rather than mandatory rule." Final Rule at 6937. The PTO had a choice to go back to Congress to expressly seek delegated powers to adopt new rules, or to comply with the Thuron ruling that "it does not have authority to do so where there is no void. 15 USC 1123." Thuron at 636-37.

The PTO chose not to do either, but apparently anticipating a challenge, instead sought to inoculate the

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[26] Even if, *arguendo,* one were to find the instant case governed by the Chevron doctrine, it is plain that the PTO went beyond the scope of discretion that the statutory ambiguity conferred. Also, Petitioner's allegations implicate an improper exercise of agency authority that was unduly leveraged by opposing counsel who deliberately failed to satisfy a duty of candor. Pet. at p.21. Lawyers "have the first line duty of assuring the integrity of the process", and must vigilantly "guard against the corruption that justice will be dispensed based on an act of deceit." United States v. Shaffer Equipment Co. , 11 F.3d 450 (4th Cir. 1993).

resumption of its unlawful policy on compulsory counterclaims through a rule-making following notice-and-comment.[27]

Although the PTO was apprised that certain concerns remained as to the situations where the grounds for a counterclaim exist but were not yet known to a defendant, it merely suggested the newly amended rules would not preclude future action on different facts.[28]

Attempting to resuscitate its nascent policy on compulsory counterclaims in the 1970s, the PTO never addressed the likelihood that its rulemaking efforts were prejudicial to fraud claims, where the factual basis of the claim remained concealed from a cancellation defendant at the date an answer was due. The PTO cautioned that "speculative counterclaims should not be filed", but ignored the Congressional mandate that expressly required the PTO to refrain from issuing rules that could frustrate the

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[27] This, however, was a transparent effort to deflect attention from the central question as to whether the PTO had been conferred the power to make law that departed from the law as applied by Federal Courts with jurisdiction over the same kinds of questions. The PTO merely pretended to abstain from preordaining the way the federal courts would apply the doctrine of estoppel to claims, which might have been, but were not, litigated in the Office.

[28] Curiously, while adopting the date of the answer as a fair limiting date, it also indicated that "if the cause of action for the cancellation of the plaintiff's pleaded registration has not matured by the date of filing the answer, the filing of a counterclaim is permissive rather than mandatory." Id. at p.6938. Its policy, again begs the question as to when a cause of action for fraud "matures."

After erroneously surmising it could apply a statute of limitations, the PTO also incorrectly reasoned that there is nothing inconsistent between a statutory cause of action for which there is no statute of limitations... and a compulsory counterclaim rule...," Final Rule, at p.6936, to conclude that there "is no provision of the Trademark Act with which the compulsory counterclaim rules are inconsistent." Id.

guaranteed recourse to raise claims for fraudulent registrations, at any time under 15 U.S.C. § 1064(3).[29]

B. The Nondelegation Doctrine Vindicates Important Principles Of Government Accountability.

Under Article I and the separation of powers, "the lawmaking function belongs to Congress... and may not be conveyed to another branch or entity." Loving v. United States, 517 U.S. 748, 758-59 (1996).[30] The nondelegation doctrine mandates that Congress provide, at the very least, an "intelligible principle" to guide the exercise of power conferred on another branch.[31]

In a series of decisions that remain governing precedent today, this Court has established important limits on the power of Congress to delegate authority to regulatory agencies. In A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495, 529 (1935), this Court opined that "[t]he Congress is not permitted to abdicate or to transfer to others the essential legislative functions with which it is thus vested." Id. at 529.[32]

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[29] While the Federal Register makes allowances that the envisioned amended rules permitted that any answer may be seasonably amended to plead a counterclaim when the grounds are learned after the original answer is filed, the Board, in practice, did not consider itself bound to grant leave for such amendments.

[30] "Legislative power is nondelegable. Congress can no more 'delegate' some of its Article I power to the Executive than it could 'delegate' some to one of its committees. What Congress does is to assign responsibilities to the Executive... Id. at 777 (Scalia, J., separate op.).

[31] Mistretta v. United States, 488 U.S. 361, 372 (1989). The intelligible-principle rule seeks to enforce the understanding that Congress may not delegate the power to make laws and so may delegate no more than the authority to make policies and rules that implement its statutes." Loving, 517 U.S. at 771.

Moreover, in Industrial Union Department, AFL - CIO v. American Petroleum Institute, 448 U.S. 607, 672 (1980), this Court reaffirmed non-delegation principles to invalidate an occupational benzene standard promulgated under OSHA.[33]

This Court has often applied the nondelegation doctrine to give "narrow constructions to statutory delegations that might otherwise be thought to be unconstitutional." Mistretta v. United States, 488 U.S. 361, 373 n.7 (1989). The more liberal presumptions of Chevron are starkly against the weight of better reasoned authorities,[34] and cannot offer any longer an adequate foundation for shoring up the PTO's compulsory counterclaim rules, decisions thereon, or res judicata effects therefrom.

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[32] This Court invalidated a statute purporting to delegate the authority to adopt codes of industrial conduct implementing the capacious standard of "fair competition." As Justice Cardozo put it, the legislation exemplified "delegation running riot," which created a "roving commission to inquire into evils and upon discovery correct them." Id. at 551, 553 (concurring opinion). See also , Panama Refining Co. v. Ryan, 293 U.S. 388, 415 (1935).

[33] The legislative history "contains nothing to indicate that the language ... does anything other than render what had been a clear ... standard largely, if not entirely, precatory." Id at 681-82; see also, American Textile Mfrs. Inst., Inc. v. Donovan, 452 U.S. 490, 543 (1981).

[34] See National Cable Television Ass'n v. United States, 415 U.S. 336, 342(1974). (citing Schechter Poultry to support a narrow construction empowering the F.C.C. to impose and collect certain fees from operators.)

See Greene v. McElroy, 360 U.S. 474, 507 (1959); see also INS v.Cardoza-Fronseca, 480 US 421, 446-48 (1987)(regardless Chevron, an agency's interpretation is only "called for when the devices of judicial construction have been ...found to yield no clear sense of congressional intent."); AT&T Corp. v. Iowa Util. Bd, 525 U.S. 366, 388 (1999).

III. SECTION 1064(3) IS WHOLLY LACKING IN ANY AMBIGUITY AS IT ENSURES THE RESTORATION OF THE PRINCIPAL REGISTER BY ALLOWING REMOVAL OF FRAUDULENT REGISTRATIONS AT ANY TIME

The Court of Appeals failed to correctly hold that PTO's interpretation of Sections 1123 and 1064(3) violates the nondelegation doctrine. For these provisions, as construed by PTO, do not merely authorize the agency to carry out or implement the statutory directives enacted by Congress, but effectively deputize PTO to engage in the sort of fundamental policy choices and balancing of complex questions of compromises to the integrity of the Principal Register, law, and social policy on multiplicity of actions that are the very essence of lawmaking. In addition, PTO has framed its authority so broadly as to eliminate the possibility of effective judicial review as a restraint on its rulemaking.

While the Thuron Court thoroughly vitiated the PTO's rationalization that interests in a common mark was tantamount to the same transaction requirement of FRCP Rule 13(a), the PTO in effect sought to engage in quasi-legislative rulemaking practices, grounded in a notice-and-comment process, to effectively treat interests in a common mark as the same transaction, and thereby revitalize the very administrative practice deemed unlawful by the Thuron Court. This is not only flatly inconsistent with 15 USC 1064(3), and directly at odds with Congress' stated intent, but pretends the agency may legislate away a judicial ruling.[35]

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[35] By reinstating the afflicted compulsory counterclaim rules, the PTO carved out a safe harbor to those Plaintiffs who sought to surmount the rights of senior mark holders who were unaware of the Plaintiff's fraudulent conduct maneuvers. Yet, the trademark statutes provide, at 15 U.S.C. § 1127, that: The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . ; to protect persons

There is no ambiguity in the statutory scheme to introduce a gap-filling measure that would inconsistently depart from the "at any time" clause of 15 U.S.C. § 1064(3). The decision in Thuron held that the trademark rules did not provide for the compulsory counterclaim rules.[36]

Viewed against Thuron,[37] it becomes clear that a practice of applying compulsory counterclaim rules, flawed ab initio, does not gain legitimacy by engaging in notice-and-comment rulemaking, where the rulemaking appears to be inconsistent with law.[38]

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engaged in such commerce against unfair competition; to prevent fraud and deception. . . .

[36] Clearly, no interpretative gap existed. The PTO did not seek to justify its compulsory counterclaim rules through any further act of Congress, but instead sought to resurrect the rules by its own pre-existing rulemaking authority, if any.

[37] Justice Scalia noted in his dissenting opinion in Mead, "I know of no case, in the entire history of the federal courts, in which we have allowed a judicial interpretation of a statute to be set aside by an agency— or have allowed a lower court to render an interpretation of a statute subject to correction by an agency. As recently as 1996, we rejected an attempt to do *precisely* that." Mead, dissent op. at 248-49, citing Chapman v. United States, 500 U. S. 453 (1991).

[38] In Mead, 533 U.S. at 226-27, this Court stated:

> We hold that administrative implementation of a particular statutory provision qualifies for Chevron deference when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority. Delegation of such authority may be shown in a variety of ways, as by an agency's power to engage in adjudication or notice-and-comment rulemaking, or by some other indication of a comparable congressional intent.

CONCLUSION

The USPTO's regulations for compulsory counterclaims do not qualify for Chevron or any appreciable deference at all, because it appears that Congress delegated no authority to undermine the express "at any time" directive of 1064(3).[39] Any implied authority delegated to make rules carrying the force of law, does not arise to the level of power to countermand the expressly stated legislative prerogatives of Congress, especially ones that it deemed in the public interest. Accordingly, the petition for review ought to be granted.

Respectfully submitted,

Robert S. Swecker
Counsel of Record for Amicus Curiae
1737 King Street Suite 500
Alexandria, VA 22314-2727
(703) 836-6620

Steven M. Hoffer
Office of General Counsel
Trade Forum Incorporated
3827 Shasta Street, Suite B
San Diego, California 92109
(858) 270-9449

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[39] Compare, Final Rule at 6938. If the fraud allegation is not raised in the pleading, the TTAB need not consider it. Griffin Wellpoint Corp. v. AMSTED Indus. Inc., 172 USPQ 503 (TTAB 1971). "The effect of omitting a counterclaim for which the grounds exist will be that the ... respondent, after the case is terminated will be barred from petitioning ... on any ground that matured when the original answer was filed in the first proceeding." Final Rule at 6939.